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Delivering Family Interventions Through Social Investment?

SHARING THE LEARNING FROM A VOLUNTARY SECTOR CASE STUDY

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EXECUTIVE SUMMARY

Introduction

In 2012, [Addaction](#), a national drug and alcohol treatment charity, received a grant from the Big Lottery Fund¹ to work in partnership with a research team led by the Centre for Educational Development, Appraisal and Research (CEDAR) at the University of Warwick. The purposes of the research partnership were:

- To establish if, and how, social investment could be used to fund the expansion of the delivery of services for families affected by parental drug and alcohol misuse.
- To share learning from the research with other voluntary, community and social enterprise (VCSE) organisations who might be interested in using social investment to fund the expansion of other family services too.

This report is, therefore, mainly addressed to VCSE sector providers interested in finding out more about the possibilities and challenges of seeking social investment - in particular, to fund service expansion. It will also be relevant to local authority commissioners and social investors seeking to understand a VCSE sector provider perspective on the issues raised when seeking to fund expansion using a social investment approach.

Addaction's family service, **'Breaking the Cycle', a service for families with complex needs**, was the focus of the work, acting as the case study service.

Addaction wanted the social investment model to be one in which the savings and/or cost avoidances in statutory authority budgets, resulting from work with families affected by parental substance misuse, could be used to pay for expanded service delivery through a payment-by-results mechanism. In effect, this meant evidence was required of outcomes that were both positive for families and were also positive in that they reduced **costs to the public purse**. These could be, for example, reduced costs in the immediate term (for example children coming off a Child Protection Plan) or costs avoided in the longer term (for example, children on track to achieve well at school and to be employed as adults who would otherwise have been more likely to leave school on track to unemployment and welfare benefits).

¹ The grant programme was called, 'Next Steps: Supporting social investment in England'. An element of matched funding was provided by the University of Warwick.

Aims of the Research Study

The overall objective of the research study was to establish a workable social investment model for the expansion of Breaking the Cycle. In order to establish that model, the research first had to evidence:

- The savings and/or cost avoidances arising from Addaction's family intervention, 'Breaking the Cycle';
- The impact of these savings/cost avoidances on commissioner budgets across statutory authorities (e.g. health, social care and criminal justice);

and to explore:

- How these cost savings and avoidances could be translated into 'metrics' (agreed measurement of results) to determine appropriate payments under future payment-by-results contracts;
- How, based on these results, social investment, probably through a social impact bond, could be used to fund the large-scale expansion of Breaking the Cycle, and, by implication, other similar services for families with complex needs provided by the VCSE sector.

Key Findings

The project was successful in showing that:

- A business case could be made, based on evidence of client outcomes, to finance the expansion of Breaking the Cycle through social investment.
- The process of becoming ready to attract social investment was, in itself, beneficial to Addaction, the provider organisation (improved systems and processes around data collection and analysis), and to service users (refinement and development of the service received).

Specific findings were that:

- Breaking the Cycle made a positive contribution to reducing the overall cost to the public purse of tackling the consequences of parental substance misuse.
- Our estimate of the **payable economic benefits** to the public purse was £1.21 for every £1 spent. This estimate did not include any potential payment for long-term outcomes, as we did not have evidence to justify these.

- o However, we emphasise that there was **a high degree of uncertainty in this number, £1.21**, because the bulk of it (0.93p) was associated with relative improvements in child protection status – the outcome area for which we had the highest degree of uncertainty in terms of attribution and counterfactual.
- Taking that uncertainty into account, we deemed the benefit-cost ratio of Breaking the Cycle to be robust enough to support either of two potential social investment models:
 - o The incremental model:
 - o A **social impact bond** to provide Breaking the Cycle to substance misusing parents who would otherwise be treated through Addaction's regular adult treatment service only, i.e. an 'upselling' model.
 - o The spot- or block-purchase model:
 - o Breaking the Cycle would be offered nationally on a 'spot-purchase' basis. **Social investment, in the form of a loan or quasi-equity**, would pay the upfront costs of preparation for delivering at scale, and of marketing the service nationally.
- At the time of the research, the uncertainty over the size of the economic cost-benefit dissuaded us from recommending that Addaction take forward to social investors a proposition for a social impact bond to fund a large-scale expansion in the number of Breaking the Cycle teams configured in the current way.
 - o Further evidence of positive economic cost-benefit over time, plus longitudinal data showing lasting impact, would be likely to strengthen the business case sufficiently to make such a proposition viable at a later date.

Outline of Report Content

The report shares learning from the study, provides references and links to further information, and pulls out practical points for others who may be interested in exploring social investment. It sets out the key requirements of social investors and works through what is involved in fulfilling these.

The report begins by providing some historical background for how the ideas and practices around social investment have evolved over the last 20 years. It describes the basic information which social investors require in order to judge the level of risk to their capital from investing in a particular organisation's service scale-up. The four key questions to which social investors require clear answers are:

- What does your service do?
- How well does it do it?
- How likely is it to deliver the desired outcomes when scaled-up?
- What is your business model?

These requirements are then related to the aims of the research carried out using Addaction's family support service, Breaking the Cycle, as the case study. In subsequent chapters, the focus is on sharing the learning from the case study about the challenges and benefits of seeking to meet these requirements in turn.

Overall Messages

The overall messages of the report are positive ones:

- The process of preparing for social investment (usually supported by grant funding) is helpful and valuable.
- Seeking social investment to fund expansion of VCSE services for families with complex needs can be a realistic option.



GLOSSARY

Term	Definition
Attribution	The amount of the outcome that is a result of the service, in this case Breaking the Cycle, and not the involvement of other agencies.
Benefit-cost ratio	An indicator that attempts to summarise the overall value for money of a proposal or project. Used in cost-benefit analysis. Derived from dividing the benefits by the costs.
Business case	A written document that sets out the rationale for a proposed project in order that strategic decisions may be taken as to whether or not to go ahead with the project.
Cost-benefit analysis	A specific methodology for robustly weighing up costs and benefits of a proposal or project.
Counterfactual	That which would have happened anyway if a treatment or service had not been received.
Deadweight	The amount of an outcome that would have happened anyway, even without the service.
Discount over time	The interest rate used to discount future cost and benefits to present value (i.e. to current prices). In the public sector, HM Treasury guidance recommends a discount rate of 3.5%
Displacement	The amount by which the outcome achieved simply displaced another outcome that would have been achieved anyway.
Drop-off	The amount by which an achieved outcome reduces over time e.g. after the end of the service or intervention.
Equity	Shares or other security representing ownership interest.
Fidelity	Faithfulness; in the context of this report, it means to follow the guidance manual (or the critical success factors) when delivering a service or intervention. Delivering in the way, and to the standard, known to be required for successful outcomes.
Grant	Money provided by one organisation to another person or organisation, usually on the basis of set criteria, and often on a competitive basis. The money is not repaid but must be used for the purpose/s for which it was granted.

Lever (verb)	In the context of this report, this means ‘to use positional advantage effectively’ – e.g. Addaction was able to lever in (i.e. use the lever) of grant funding to encourage commissioners to buy in to Breaking the Cycle.
Loan	All the money borrowed is paid back to the investor within an agreed timespan, usually with interest.
Logic Model	Sets down what a service does to enhance client outcomes and explains the logical connections i.e. the service activities (inputs) that lead to short term outcomes (changes) that, in turn, lead to intermediate outcomes and then longer term impact.
Metric ('simple'/'complex')	Agreed measure to define (quantify) achievement of a desired outcome for purposes of payments under a Payment-by-Results contract e.g. if desired outcome is ‘improved school attendance’, the metric might be ‘to at least 86% attendance’. If attendance improved but only to 80%, the outcome metric would not have been achieved. This is a ‘simple metric’. A ‘complex metric’ is one where a number of different desired outcomes are quantified for the purpose of payment.
Payment-by-Results (PbR)	Some or all of the payment made in exchange for a service delivered is dependent on pre-determined results being achieved or bettered.
Propensity score	The estimated probability of someone doing something, calculated statistically.
Quasi-equity	Most charities cannot issue shares (equity) to raise money but can raise money to finance a new service, for example. In exchange, investors could receive a fixed portion of money raised by the service if it succeeds. Quasi-equity is more flexible than a loan because the money is paid back based on performance.
Quasi-experimental design (QED)	A type of research experiment where the outcomes for people taking part in the treatment (or service) being studied are compared to others not receiving the treatment (or service); where being in either group is not random but instead differences between the groups are quantified and taken account of through statistical means to give a fair comparison. Not regarded as robust an experiment as one with a randomised control (see Randomised control trial).
Randomised control trial (RCT)	A type of research experiment where the people taking part are randomly allocated to one of the treatment (or service) options for the purpose of being able to make a fair comparison of the outcomes. Treatment (or service) options could be, for example, to receive the new treatment (or service) under study, to receive the existing treatment (or service) or to receive no treatment (or service).

Social impact bond (SIB)	Specifically designed to enable VCSE organisations to take on Payment-by-Results (PbR) contracts. A SIB does not have to involve social investment. When the SIB does involve social investment, the social investor pays the service delivery costs, allowing the VCSE organisation to take on the PbR contract. If the specified results are achieved, the commissioner pays the amount agreed. From this, the social investor is paid back. The financial return can be constructed to be loan-like, quasi-equity-like or driven directly by the same outcomes specified in the PbR contract.
Social investment	Capital invested for both social benefit and financial gain.
Social investors	Individuals and organisations willing to invest money in ways that achieve social benefit as well as offering a reasonable change of achieving a financial return on that money. The return may or may not be re-invested for further social benefit. The rate of return accepted may be lower than would be available in other sectors of the investment market because the investor also values the less tangible 'return' of the social benefit created.
Social value proposition	Document setting out the strongest (and true) key information designed to attract investors to invest in, and commissioners to commission, your service rather than a competitor's service.
Theory of Change	Sets down how the service will reduce risk factors and/or enhance protective factors and thus lead to the desired change. May be presented as prose or in a diagram.

1 INTRODUCTION

1.1 Overview

In 2012, [Addaction](#), a national drug and alcohol treatment charity, received a grant from the Big Lottery Fund² to work in partnership with a research team led by the Centre for Educational Development, Appraisal and Research (CEDAR) at the University of Warwick.

The purposes of this research partnership were:

- To establish if, and how, social investment could be used to fund the expansion of the delivery of services for families affected by parental drug and alcohol misuse.
- To share learning from the research with other voluntary, community and social enterprise (VCSE) sector organisations who might be interested in using social investment to fund the expansion of other family services.

Addaction's '**Breaking the Cycle**', a service for families affected by parental substance misuse, was the focus of the work, acting as the case study service.

In this chapter, we provide introductory information about social investment (1.2), about why Addaction was interested in social investment (1.3), about the research carried out in partnership with the University of Warwick to explore social investment possibilities in relation to one case study service, Addaction's Breaking the Cycle (1.4) and finally, introduce the rest of the report (1.5).

1.2 Frequently asked questions about social investment

1.2.1 What is social investment?

By 'social investment'³ we mean capital invested for both social benefit and financial gain (return on investment). Social investment usually involves two key players, each with distinct perspectives that need to be taken into account:

- **Providers** of the service or intervention
 - o In this case study, Addaction, a voluntary sector organisation, is the provider of the service, Breaking the Cycle.
 - o Providers are often focused on meeting the needs of their clients through sustainable services.

² The grant programme was called, 'Next Steps: Supporting social investment in England'. An element of matched funding was provided by the University of Warwick.

³ Terms relating to social investment which may be unfamiliar to many readers are included in the **Glossary** at the front of the report.

- **Social investors** in the provider, service or intervention
 - o In this case study, private or third sector organisations (e.g. specialist banks, other specialist organisations, charitable or other trusts, or individuals) would be the desired investors.
 - o Social investors are often focused on defining an acceptable level of confidence in obtaining a social return and therefore of obtaining an agreed financial return.

In a social impact bond (SIB), there is a third key player:

- **Purchasers** or **commissioners** of the service or intervention (i.e. clients of the provider).
 - o In this case study, public sector organisations in local government are the desired commissioners of a scaled up version of Breaking the Cycle.
 - o Public sector commissioners are often focused on value for money outcomes for people for whom there is a statutory responsibility to provide services.

As each of these key players use distinct specialist terms when communicating about their area of expertise, a **glossary** has been provided at the front of the report.

Advice to organisations considering social investment

- Be aware that when exploring social investment as a funding option you are likely to encounter people with different areas of expertise to your own. Often they will use terms that are not familiar to you and make assumptions that you do not share. Be willing to ask questions about anything you do not understand. And remember that they also see you as someone with a particular area of expertise that they do not necessarily understand. Be willing to share your knowledge and perspectives with them.
- Together, aim to reach a shared understanding of the key perspectives: provider, investor, and, in social impact bonds, the commissioner.
- Remember that what unites the three perspectives is a shared desire to further social benefits.

1.2.2 Why are people talking about social investment these days?

Social investment appears to be an idea whose time has come: the global financial crisis has resulted in central and local government, grant-making organisations and banks all being affected by austerity. There is simply less money around and growing demand for it. At the same time, there is growing appetite among some investors to do more with their money – to use it as a tool to effect social improvement, rather than merely a way of making more money. Social investment, then, is the bringing together of those with money with those who need money, bound together by the desire to create positive social impact.

Stepping back and looking at the historical context within which the ideas and practices associated with social investment have evolved over the past two decades, we can see the ways in which three waves of new practices – social entrepreneurship, social enterprise and social investment – have built on each other to present an increasingly fundamental challenge to traditional practice. Each of these fields has helped to import a core element from mainstream capitalist / market-based approaches into the world of social mission activity.

Social entrepreneurship has been concerned with efforts to make more productive use of the total set of resources available in order to achieve one or more primary social goals (outcomes). This in turn creates a requirement to explain and demonstrate how a new approach is different from, and more effective than, current alternatives in achieving such outcomes.

Social enterprise has built on the social entrepreneurship movement to promote the use of forms of financially sustainable business models that aim to optimise social and environment benefits, with a range of legal safeguards in place to protect the social mission in question. This approach has created a set of requirements for clarity about the operational models employed, cost structure and revenue flows, governance and risk; in other words, a full set of commercial practices that would apply in any successful business context.

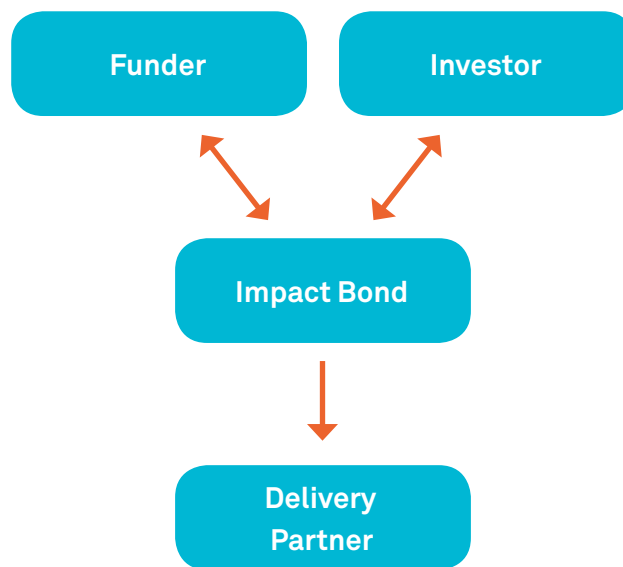
The growth of **social investment** over the past decade takes the move towards a culture of social entrepreneurship and social enterprise as a given. Like social entrepreneurship, social investment aims to reallocate financial assets towards activity that is more ‘socially productive’ i.e. generates more impact on desirable social outcomes for the total resources deployed. Like social enterprise, social investment also seeks to invest in more financially sustainable business models that will achieve socially desirable outcomes.

1.2.3 What types of social investment are there?

There are different types of social investment but here we focus on loans, quasi-equity and social impact bonds, as most social investments are variations or mixtures of these.

- **Loans** are the simplest and most common form of social investment. Money can be borrowed from a bank or a social investor. All the money borrowed is returned to the investor within an agreed timespan, usually with interest. Protection can be given to the investor, by giving them first call on an asset (like a mortgage on a property), but it need not be a physical asset – it could also be first call on money coming in under a contract. Protection can be given to the borrower by making a loan “limited recourse” – which means the funding source that will be used to pay it back is specified – and, if the money cannot be paid back from that source, there is no recourse to general funds.
- **Quasi-equity.** Most charities cannot issue shares (equity) to raise money, but the concept has an analogue: a charity can raise money to finance a new service, for example; in exchange, investors could receive a fixed proportion of money raised by this new service if it succeeds. Quasi-equity (also called a revenue participation agreement) is more flexible than a normal loan because the money is paid back based on performance. Quasi-equity type social investments are relatively rare, but more common (at date of publication) than social impact bonds.
- **Social impact bonds** (SIBs). Their defining feature is that they are used to finance Payment by Results (PbR) contracts. Their financial return can be constructed to be loan-like, quasi-equity like or driven directly by the same outcomes specified in the PbR contract. Social impact bonds can be constructed in different ways: Figure 1 illustrates one simple structure. The arrow heads indicate the direction of money flows.

Figure 1. A simple social impact bond structure



Arrow heads indicate direction of money flows.

Source: [i-for-change](#) (Russ Buble)

- Social impact bonds were specifically designed to enable voluntary sector organisations to take on PbR contracts⁴. These require the provider to deliver the service and be paid, not for doing so, but for the users of that service achieving agreed, or better than agreed, results.
- The social investor in a SIB pays the service delivery costs, allowing the VCSE sector organisation to take on the contract. The repayment to the investor is covered by the money received for the client results achieved. If the agreed results are not achieved, the investor loses out.
- Interest in social investment was generated by high profile SIBs, such as the Ministry of Justice-commissioned SIB focused on reduced reoffending of prisoners from Peterborough Prison⁵, the creation of Big Society Capital in July 2011, and reports, such as the second Allen Report to Government (Allen, 2011⁶).

⁴ Big Lottery Fund, 2014, [Social Investment Explained](#), p16.

⁵ Case studies of existing SIBs can be found at the [Centre for Social Impact Bonds website](#).

⁶ Allen, Graham (2011) [Early Intervention: smart investment, massive savings. The Second Independent Report to Her Majesty's Government](#). London: HM Government.

Further information:

- You can find out more about types of social investment, especially social impact bonds (SIBS), at the Centre for Social Impact Bonds (Cabinet Office) websites:
- <http://www.gov.uk/social-impact-bonds>
- http://www.data.gov.uk/sib_knowledge_box
- A useful resource (written primarily for public sector commissioners) is [Introduction to Social Impact Bonds and Early Intervention](#) by Ann Griffiths and Christian Meinicke, published by the Early Intervention Foundation in April, 2014.

1.2.4 Why might a voluntary sector organisation consider social investment?

Social investment is an option in situations where a grant is not suitable or not available. You might need social investment to start up your organisation or activity or to carry on doing what you have begun or to buy expensive assets (buildings, equipment) or to expand what you are already doing. This case study is about seeking social investment to fund expansion of an activity.

Advice to organisations considering social investment

- Be clear about why you need investment
- A useful first resource is [Social Investment Explained](#), a guide produced by Social Investment UK (David Floyd and Nick Temple with Dan Gregory) for Big Lottery Fund, published in July 2014.

A VCSE sector organisation might consider social investment as an option when expansion would involve such financial risk that there would be concerns about using existing unrestricted funding for it. For example, there is financial risk where expansion would involve significant infrastructure, training, and marketing expenses with no guaranteed, upfront income from commissioning.

If expansion suited to an organisation's ambitions can be financed from an organisation's own resources, there is no need to turn to social investors for additional capital, although such an organisation may still seek social investment if it wishes to use its own resources for other purposes.

Expanding an activity or organisation at a scale that would require social investment (scaling up) is, of necessity, a decision that must be made at strategic level within your organisation. Senior leaders, and usually trustees, must be involved and support the decision a) to expand significantly and b) to consider social investment.

Advice to organisations considering social investment

- Bear in mind that, while social investment of sums as small as £10k may be available, some types of social investment, such as a social impact bond, only make sense for sums of at least £0.5 million because of the set-up costs involved.
- Be sure to have discussions and reach agreement at Chief Executive and senior leader level about considering social investment as a way of funding significant expansion. Include trustees in this, where appropriate.
- Check out whether or not you could get the necessary investment more easily or cheaply from traditional sources such as unrestricted reserves, a grant or a loan from a bank.
- When going ahead, appoint a senior leader as internal ‘champion’ to lead the process of preparing for social investment; someone able to marshal the necessary resources to make success likely.

1.3 Why Addaction was interested in social investment

At time of writing, Addaction had provided specialist support to families affected by parental substance misuse for nearly a decade. In 2005, using a grant from the Zurich Community Trust, Addaction set up three-year pilot projects in three locations to test a new model of work to tackle substance misuse problems in a family-focused way, incorporating work with children and other family members as well as supporting the parent(s) with the misuse problem. This work was called ‘Breaking the Cycle’ (BtC) in recognition of the intergenerational cycles of behaviour that often exist in families and impact negatively on children’s life chances. The grant-only funding model enabled the innovation to be trialled.

The evaluation (MHRDU, 2009) of these pilot BtC services showed that this family-focused work was successful not only in reducing levels of drinking and drug-taking among parents but also in improving parenting skills and family functioning. As a result, the risk of children being harmed or neglected was also reduced⁷.

On the strength of the positive evaluation results, in 2010 Addaction received a second grant from the Zurich Community Trust to fund the expansion of BtC to new locations, enabling it to reach hundreds more families in need. This time, however, the funding model was designed to lever in local authority funding for the new BtC services from the very beginning, with the aim of commissioners making increasing financial contributions year on year and providing full funding for the service from Year 4 onwards. The ‘grant-plus-commissioning’ funding model is set out in Table 1.

⁷ More information about the BtC model can be found in Addaction’s 2013 publication, [A Better Future For Families](#) (pages 38–45).

Table 1 Grant-plus-commissioning funding model for Breaking the Cycle from 2010

Income Source	Year 1	Year 2	Year 3	Year 4
Zurich Community Trust	42%	18%	9%	0%
Other voluntary income raised by Addaction	49%	49%	18%	0%
Commissioner Contributions	9%	33%	73%	100%
	100%	100%	100%	100%
Total Voluntary Income	91%	67%	27%	0%

Source: Addaction

Table 1 shows the basic model, which was adjusted slightly in different locations to fit with local commissioning. This funding model enabled rapid expansion of Breaking the Cycle, with 20 new sites established over a two year period. Addaction were also successful in winning funding from the Northern Rock Foundation, the Department of Health and Asda as part of this focus on increasing the reach of its family work. The value of this 'grant-plus-commissioned' model was shown in several cases where Breaking the Cycle was later incorporated into Addaction's mainstream, commissioned, adult and young people's substance misuse treatment contracts. In these sites, BtC became an integrated part of local treatment provision. The downside was that the 'grant-plus-commissioning' funding model did not always develop in to a 'fully commissioned' funding model because of a whole range of pressures on local commissioning budgets. As a result, there was a desire to find a funding model that would offer both longer-term sustainability for Breaking the Cycle services and the opportunity to expand the service to many more areas of the country. This was the context in which exploring social investment was an attractive option for Addaction.

The expansion of BtC took place within an extremely challenging funding environment. This environment was not expected to improve in the short to medium term. Addaction was very aware that it needed to explore other funding models to continue growing the reach of its family services. Addaction's thinking on this coincided with an increasing awareness of social investment in the voluntary sector, following the launch of the first Social Impact Bond involving the Ministry of Justice and Peterborough Prison. The obvious next step was to explore social investment to understand if this kind of funding could enable the further growth of Breaking the Cycle.

Addaction had years of experience of winning and implementing commissioned contracts, including those with elements of Payment by Results, but knew that it needed to substantially increase its knowledge about this new approach before it could put together an investment proposition that would be financially sound (for Addaction as the provider, for investors and for commissioners) while ensuring that families continued to receive high quality and effective support. The grant from the Big Lottery Fund and partnership with the research team led by CEDAR, the University of Warwick, enabled Addaction to go through this process and to share the learning from it with others in and beyond the sector.

1.4 The Research Project

The research project objective was to set up a social investment model in which the cost savings/avoidances in statutory authority budgets resulting from work with families affected by parental substance misuse could be used to pay for the service delivery (through a payment by results mechanism). The research aimed to evidence:

- the actual savings/cost avoidances arising from Addaction's family intervention, 'Breaking the Cycle';
- the impact of these savings/cost avoidances on commissioner budgets across statutory authorities (e.g. health, social care and criminal justice);

and to explore:

- how these cost savings and avoidances could be translated into 'metrics' (agreed measurement of results) to determine appropriate payments under future payment by results contracts;
- how, based on these results, social investment could be used to fund the large-scale expansion of Breaking the Cycle, and, by implication, other similar services for families with complex needs provided by the third sector.

The ultimate aim to establish a workable social investment model for the expansion of Breaking the Cycle, from which other VCSE sector organisations could learn and develop similar social investment models to fund the expansion of other family services too, was only met in theory: we defined two possible models but did not get to the point of a fully worked out proposition.

On the basis of the evidence we were able to gather within the timescale of the project, we were able to establish a **positive economic cost-benefit** case based on large-scale expansion of Breaking the Cycle. The **size** of the positive economic benefit was, at this stage, not sufficiently large to support taking a social impact bond proposition forward to social investors to fund that large-scale expansion. If, over time, the evidence base continues to show positive economic benefits, and if longitudinal data were to show lasting impact, this assessment would change and a social impact bond proposition for large-scale expansion would become attractive to social investors. In the meantime, we suggested two alternative ways to grow Breaking the Cycle, one supported by a SIB and one by a social investment loan or quasi-equity. For various reasons (set out in Chapter 6), neither was immediately operationally attractive to Addaction but the work had convinced the organisation to explore using social investment as a way of growing other aspects of its activities. In the process of reaching this conclusion, we learned a substantial amount about the realities and challenges of seeking to make a holistic service for complex families, such as Breaking the Cycle, ready for large scale expansion through social investment. It is this learning that we seek to share with others through this report.

1.5 About this report

1.5.1 Intended Audience

This report is mainly addressed to VCSE sector service **providers** interested in finding out more about the possibilities and challenges of seeking social investment to fund expansion, but it will also be relevant to local **commissioners** and social **investors** seeking to understand a VCSE sector provider perspective on the issues raised by seeking to fund expansion using a social investment approach.

You may be interested in social investment as a way of funding either the expansion of your whole organisation or of one service/intervention/programme that you deliver. Either way, this report is relevant to you but, for ease of writing, and because our case study is about the expansion of one service, through the rest of this report we refer to the expansion of a service.

1.5.2 Structure of the report

To provide a framework for the learning arising from the Breaking the Cycle case study, in **Chapter 2** we provide a brief historical context for social investment and briefly present the key requirements of social investors. **Chapters 3 – 7** focus on sharing what we learned from the case study about the challenges and benefits of seeking to meet these requirements in turn. In **Chapter 8**, we present our conclusions.

1.5.3 Overall Messages

Our overall messages are positive ones:

- The process of preparing for social investment is helpful and valuable because it results in you knowing more about what you do, why you do it, how well you do it, and how you can do it better.
- Seeking social investment to fund expansion of VCSE services for families with complex needs can be a realistic option.

Advice to organisations considering social investment

- Be aware that preparing for social investment is a learning process.
- Be aware that preparation for social investment through a potential Social Impact Bond forces more of a focus on financial return (money) than is generally the case in the VCSE sector, where social impact is, naturally, the main concern.
- Other forms of social investment (e.g. a loan, with a low interest rate justified by the social impact) are conceptually closer to the usual social impact focus of VCSE organisations.
- Be confident there will be benefits to be had from going through the preparation phase regardless of whether or not you finally opt for social investment as a source of upfront funds. The process goes beyond other organisational strengths reviews by demanding, for example, better financial modelling capabilities and a different understanding of risk and risk mitigation.



2 SCALING UP USING SOCIAL INVESTMENT: BASIC REQUIREMENTS

2.1 Introduction

To provide a framework for the learning arising from the Breaking the Cycle case study, in this chapter we:

- set out briefly the key requirements of social investors
- describe the aims of the research on which this report is based in terms of these requirements

The rest of the report shares learning from the Breaking the Cycle case study about what is involved in seeking to meet these basic requirements.

2.2 Basic information required by social investors

In order to make decisions about which organisations, services, or programmes to invest in, social investors require a degree of clarity and a level of information (data) about the organisation, service or programme that is much more demanding than most public and VCSE sector organisations have experienced before. This is because investors need to make the most informed judgement possible about the level of risk associated with investing in any particular organisation, service or programme.

Advice for organisations considering social investments

- Be aware that, in order to assess if it is worth investing in the expansion (scaling up) of your organisation or service, social investors will seek answers to a lot of questions about your organisation and about the service to be scaled up. Your organisation needs to be open to this and willing to provide the information.
- Have confidence that there are benefits, as well as costs, involved in this process. Providing the information takes time and therefore money – but it also provides your organisation with valuable information about what it does, how it does it, how well it is doing and how it could improve.

2.2.1 What does your service do?

Social investors require a clear and compelling account of who is served by the programme to be scaled up, what it does, how it does it, and what outcomes it achieves. This information is often set out in a short document sometimes referred to as a social value proposition or as a service listing. Essentially, it is about defining your intervention.

- In Chapter 3, we focus on what this requirement means in practice.

2.2.2 How well does it do it?

Before agreeing to invest in expanding your service, social investors will require the data to back up all of the operational, financial or social claims made in the social value proposition (service listing). Lack of clarity or key gaps in knowledge make investments either unlikely to happen, or proportionately more expensive. The requirement here is to have an evidence base of effectiveness.

- In Chapter 4, we focus on what it means in practice to provide information that shows how well your intervention delivers the desired social outcomes.

How likely is it to deliver desired outcomes when scaled up?

While it is true that most social investors build an element of subsidy into the structure and price of their investments – that is, they rarely price risk at a full commercial rate – nevertheless the discipline of screening for risk to a possible financial return and a positive impact on social outcomes remains centre stage for social investors. Social investors need sufficient data to judge the probable social impact and the likely financial returns, and also the potential risks – both internal and external – that influence their confidence about the likelihood of both a social and financial return being delivered in practice.

Investors expect to be paid to take on the risk of financial loss. Where the financial risks are higher, the price of the capital they provide you with will be higher. An exception would be if your organisation could demonstrate a higher level of probability that the desired social outcomes ('social returns') will be delivered and where the investor had a desire to take higher risk in return for higher social return⁸.

- Chapter 5 sets out the effectiveness of Breaking the Cycle in delivering outcomes

2.2.3 What is your business model?

Social investors also require a clear **business model**, that is, a clear account of the activities undertaken, the capabilities required to deliver these with success; the demand for the products or services in question and the levels and types of revenue generated.

- Chapter 6 focuses on building a strong business case

2.3 Relating the case study to these requirements

The research project, 'Breaking the Cycle through Social Investment', was structured to enable Addaction, as the provider, to meet the requirements that many public sector commissioners and social investors might well bring to the negotiating table. The aims of the research were:

⁸ (Equally, where investments have some other form of underpinning security, for example a third party guarantee or the ability to secure a loan against a fixed asset, the investment will be less risky, with a corresponding reduction in the price of capital.)

- To establish outcomes from Breaking the Cycle that were of interest to public sector commissioners
 - o For example, health service commissioners might be interested in reductions in use of Accident and Emergency departments by service users of BtC. This reduction could plausibly arise both from improved access for a substance misusing parent to primary care services, such as GPs, and from a reduced number of accidents and/or violence in the home as a consequence of reduced substance misuse. As improved access to primary care services and reduced substance misuse could logically be a result of specific support offered through Breaking the Cycle, reduced A&E use could be seen as an outcome of BtC.
- To establish robust measurements ('metrics') quantifying improvements in outcomes for which public sector commissioners would be willing to pay
 - o For example, we wanted to be able to say not simply that Breaking the Cycle 'improved child's school attendance' but that it 'improved child's school attendance from below 85% to above 85%', where 'below 85%' represents the national definition of 'persistent absence'⁹.
- To establish value (cost savings and/or cost avoidances greater than the cost of the service)
 - o That is, we wanted to be able to quantify the cost of Breaking the Cycle in relation to its outcomes; quantifying cost avoidances and cost savings in public sector commissioner budgets to show that Breaking the Cycle outcomes created a substantial saving to the public purse, sufficient to cover the costs of the service and to pay a financial return to investors.
- To develop a social investment model which would work in the context of outcomes of interest to more than one public sector commissioners
 - o That is, we wanted to use the metrics and value information to create a business case from which to develop a viable social investment model for a service, such as Breaking the Cycle, where there could be outcomes of interest to statutory services across, for example, social care, children's services, public health and criminal justice

⁹ In use since October 2011 – see the Government [press release](#) (Department for Education and Nick Gibb, MP, 12.7.2011).

Meeting the commissioner and investor requirements underlying these aims required Addaction staff, especially the Breaking the Cycle workers and managers, to embark on a journey towards 'social investment readiness'. The external research team view was that there were three basic stages of that journey (requirements for social investment readiness):

- to have a **defined intervention**, implemented with fidelity in each of its locations, focused on achieving specific outcomes for the adult and child members of client families
- to have a clear **evidence-base of effectiveness**, i.e. that positive outcomes were being achieved, that these were sustained over time and verifiable, and that there was a sound logic model of how what was done during the intervention led to the outcomes and was cost-effective (the outcomes were deemed worth the cost of the intervention)
- to have a viable **business case**, such that, when scaled up, it was cost-effective (the outcomes were deemed worth the cost of the intervention), and investors could be reasonably sure of both a social and a financial return

Further information:

There are many sources of further guidance on what is required to be 'investment ready' – a simple internet search using the phrase will lead you to examples of useful sources of information such as:

- investment readiness checklists and toolkits
- reports, such as [Building the Capacity for Impact](#) (Impetus-The Private Equity Foundation, 2014)

There are also many organisations that can provide help in becoming 'investment ready'. Examples (at time of publication) include:

- [Impetus-Private Equity Foundation](#) – works with charities that work with young people aged 11 – 24 years old from disadvantaged backgrounds
- [Big Potential Advanced](#) – accepts applications for grants from VCSEs in England that are considering social investment to raise over £500,000 of repayable investment and/or win a contract of above £1million.
- [School for Social Entrepreneurs' Scale-Up](#) – a free training programme for social enterprises that are at least one year old with a turn-over greater than £25,000
- [Big Potential](#) – a Big Lottery Fund grant fund which can support eligible VCSE organisations to prepare for social investment (time limited 2015 to 2017)

2.4 Chapter Summary

This chapter has provided some historical background for how the ideas and practices around social investment have evolved over the last 20 years or so. It has described the basic information which social investors require in order to judge the level of risk to their capital from investing in a particular organisation's service scale-up. The four key questions to which social investors require clear answers are: What does your service do?, How well does it do it?, How likely is it to deliver the desired outcomes when scaled-up? and What is your business model? These requirements were then related to the aims of the research we carried out using Addaction's family support service, Breaking the Cycle, as our case study service. In the following chapters, we report what we learned from seeking to meet these requirements in relation to the Breaking the Cycle service.



3 DEFINING YOUR SERVICE

3.1 Introduction

In this chapter, we share the learning from the work we did to define Addaction's Breaking the Cycle service. The purpose of defining your service is to use this to create a short, clear, credible account for potential investors or commissioners summarising who your service is for, what it does, how it does it and what the outcomes are. The resulting statement is called a social value proposition. A social value proposition captures key information designed to attract investors to invest in, and commissioners to commission, your service.

We set out:

- why a social value proposition matters
- the format we used to draft our service description (from which the social value proposition is crafted)
- the work we did to check and expand on information about Breaking the Cycle
- the issues raised for social investors by services like Breaking the Cycle

3.2 Why a social value proposition matters

In the context of seeking to scale up a service, the most important questions you can be asked about your service are, 'Why should I commission it?' or 'Why should I invest in it?' A social value proposition provides you with the most compelling answer for your potential investors and commissioners. It briefly tells them why they should commission or invest in your service, as opposed to other services. 'Social' here refers to the benefits to society arising from your service. Some of these benefits will be ones for which the public purse is willing to pay; others may be valued socially but not financially. These should also be included in your proposition as part of the compelling narrative but not as part of the prospective basis for a financial return.

3.3 Format of the service description

Because the social value proposition has to be the strongest true statement that can be made about your service, it is helpful first to create a longer service description from which you can craft the shorter social value proposition. There is no single format that all organisations use to set out a service description. To describe Breaking the Cycle, we used a simple format. It was an abbreviated version of the 'programme profile' format developed by ResultsMark. This was made available to us, and permission given to share it, because ResultsMark was part of our team. This short structure is set out in Figure 2.

Figure 2 One example of a simple format for a service description

Name of organisation:
Company/charity number:
Short description of service:
<ul style="list-style-type: none">• one sentence
Market sector:
<ul style="list-style-type: none">• who you hope will buy your service
Target of service:
<ul style="list-style-type: none">• age range of service beneficiaries• common problems or risk factors addressed by the service
What the service delivers
<ul style="list-style-type: none">• main aims• main activities, each with critical success factors (i.e. factors that make the activity distinctive and effective)
Outcomes
<ul style="list-style-type: none">• list of outcomes reported against• latest (and average) outcome results

Source: adapted from Results Market programme profile

We initially worked with the basic format outlined in Figure 2. Service descriptions can also usefully include other elements often found in evidence-based programme manuals, such as:

- a summary of the published evidence of effectiveness of the service, or, if that does not exist, of the underpinning knowledge about risk and protective factors affecting the service outcomes
 - o this can then be encapsulated in a Theory of Change that specifies how the service reduces risk factor/s and/or enhances protective factor/s
 - o it is also worth relating the current evidence of effectiveness of your service to published guides to standards of evidence, such as those produced by Nesta¹⁰ or by the Early Intervention Foundation¹¹
- activity levels (e.g. how many of each activity over [set period]?, how many people took part in each activity over [set period]?, average time people engaged with each activity over [set period]?)
 - o this can then be encapsulated in a Logic Model that sets out what your service does to enhance client outcomes: e.g. what activities (inputs) lead to which short term outcomes that, in turn, lead to intermediate and then longer term outcomes (impacts).
- quality of staff - staff competencies and/or qualifications sought at recruitment; core staff training required to deliver the service; supervision provided for staff
- recruitment and retention of service users – including referral criteria, referral pathways, assessment of referral suitability; approach to engaging and retaining service users
- costs – of set-up and of implementation.

As our work progressed, we added in these elements to our understanding of Breaking the Cycle.

Service descriptions are helpful documents because they force your organisation to define exactly what your service delivers for whom and with what results. It sounds straightforward and, in certain circumstances, it may be: for example, if the service you deliver has already been written up in a manual for practitioners in such a way that it is possible to check that each practitioner delivers the service exactly how it was intended, writing a service description should be very easy. For example, many parenting programmes have manuals like this.

¹⁰ Puttick, R. and Ludlow, J. 2012. Standards of Evidence for Impact Investing. Nesta: London. We used this in relation to Breaking the Cycle.

¹¹ Published online in 2014 - <http://guidebook.eif.org.uk/the-eif-standards-of-evidence>

However, many services delivered by VCSE sector organisations are not programmes that are already described exactly in manuals: instead, like Breaking the Cycle, they are often programmes designed 'in-house' to meet the needs of clients. As a result, these services often evolve and adapt over time. This was the case for Breaking the Cycle. In addition, like many VCSE sector organisations, Addaction operated a devolved regional structure which meant that there was local control of each Breaking the Cycle service and therefore some local variation in delivery was to be expected in response to local client needs and local commissioner's specifications. As a result, our initial work to create a service description of Breaking the Cycle raised as many questions as it answered. To give one example, we realised that we did not know for certain to what extent children were direct beneficiaries of the service, as opposed to benefiting indirectly from service activity with parents. This gap in information affected our ability to sum up Breaking the Cycle accurately in one sentence, and affected how we thought about its market sector.

Practice Points

- Unless the service you seek to scale-up is already a manualised programme with monitored fidelity, be prepared for the fact that the process of writing a service description will itself raise important questions about your service and how it is delivered for which you may not have ready answers.
- Be prepared to do the necessary internal research to answer these key questions. Conducting this internal review requires investment of time and therefore of money but the benefit is that it can be very helpful in informing strategic decisions about the future of your service.

3.4 Checking and expanding on information about the service

We wanted to be able to describe the Breaking the Cycle service accurately, taking into account front-line delivery across multiple sites, governed by different commissioner specifications. To help us do this, we undertook some qualitative research (telephone interviews) with Breaking the Cycle workers and managers in five areas selected to represent both newer and more established sites; different geographic areas; different distributions of urban/city and rural catchment areas; and different commissioning patterns (e.g. a service commissioned to deal with parental alcohol misuse only versus one commissioned to include both alcohol and drugs misuse).

The aim of the interviews was to establish:

- the experience and qualifications profile of Breaking the Cycle workers
- the nature of Breaking the Cycle work with families
- the range of Breaking the Cycle work with families
- the unique nature of Breaking the Cycle work
- the desired outcomes of Breaking the Cycle work
- success rates in relation to families in Breaking the Cycle
- factors that impact on positive outcomes through Breaking the Cycle

There was a high degree of commonality across all interviewees in relation to having high levels of relevant experience and/or qualifications, good levels of relevant training, and the nature, range and desired outcomes of their work with families. The accounts of the work were such that it was possible to identify a 'unique selling point' for the service. There was less uniformity in respect of interviewees' success rates, and a small range of responses to the factors that were seen to impact heavily on positive outcomes.

Combining what was already known and verifiable about Breaking the Cycle with the new research findings¹², we were able to summarise the essence of the specific Breaking the Cycle offer as:

- expertise in substance misuse treatment and recovery
- expertise in family support i.e. support for individual and combined family members within a coherent, whole family approach

¹² The qualitative research also fed in to further work we did to encapsulate outcomes measured and areas of potential cost-benefit (discussed in Chapters 4-6).

- work in family homes
- holistic in scope of problems tackled through:
 - o provision of direct support - practical aid and assistance, as well as delivery of supportive input such as treatment advice and support, parenting advice and support, counselling, motivational support
 - o provision of indirect support - referring to, and supporting into, other services to meet identified needs
- devolved remit of each local service
 - o focus defined locally with commissioner and flexed to suit local environment of other relevant available support (i.e. no duplication of effort)
- client confidentiality (subject to Safeguarding) as an independent, VCSE sector organisation.

In the context of potentially seeking social investment to scale up the service, this definition of the essence of the service raised some issues which are pertinent to other, similar devolved and locally flexed services typically offered by VCSE sector organisations, as well as by other agencies offering health and social care services.

Combining what was already known and verifiable about Breaking the Cycle with the new research findings we were also able to pinpoint the two core outcomes against which every client family was assessed. These were 1) reduction in substance misuse, or prevention of relapse into substance misuse; and 2) reduction in harm/risk of harm to the child/ren. We also drew up a longer list of other outcomes supported by Breaking the Cycle work with certain families. From this list, a small number were relevant to any family depending on the nature of their presenting needs. Examples from this list were improving parental mental health, reducing domestic violence, improving physical health, reducing debt, improving stability of housing.

3.5 Issues raised for social investors by services like Breaking the Cycle

3.5.1 Variation in service delivery

The work we did to check out the frontline reality of Breaking the Cycle confirmed that the support offered varied across a number of dimensions:

- by client family needs
- by worker skill-set¹³
- by local service remit as defined by the commissioner
- by the available other relevant services in an area.

From a second set of interviews we did with 25 representatives of other local services working with the same families in the same areas, we knew that this variability was welcomed. The ability to ‘flex’ the support offer to take account of family needs, to take advantage of the specific skill-set of the worker, and to add to what was otherwise available locally was valued because this enabled Breaking the Cycle to provide support that other local services could not provide (unique offer). Coupled to Breaking the Cycle’s support to enable service users to access and engage with other local services relevant to their needs, this added up to a view of Breaking the Cycle as a valuable service in its own right and as a service that added value to other local services by increasing take-up and engagement with them.

On the other hand, the variability created a problem in terms of thinking how best to pitch a Breaking the Cycle social value proposition to social investors. In that context, the greater the variability in what is offered, to whom, at which levels of need and for how long, the greater the risks are of not being able to predict with sufficient certainty the likelihood of positive outcomes (social return). The greater the risk to the social return, the greater the risk also to any financial return of a potential social impact bond.

This tension – between the service delivery benefits of variability and flexibility and the risks around social and financial outcomes – had to be resolved strategically. One response to such a problem might be to seek to reduce the level of variation towards that of a manualised programme. Another response might be focus on the service strengths – to set out and emphasise the critical success factors and how fidelity to these is monitored to minimise risks to social (and therefore financial) outcomes. For Breaking the Cycle, the strategic decision taken was to do the latter: to set out the critical success factors that offset the potential risks to outcomes inherent in delivery variation.

¹³ All workers had received core training and all had a core skill set. In addition, each had other skills based on prior experience which could be drawn on where appropriate.

Practice Points

- If, like Breaking the Cycle, one of your service strengths is flexibility of delivery (e.g. to meet service users' needs) then you will need to counter the risks to service outcomes inherent in this by setting out clearly the factors that are critical to success, i.e. those aspects of delivery that are not negotiable because they underpin the positive outcomes for service users.

3.5.2 The need for financial support to evaluate outcomes

What was known about social outcomes for families in receipt of Breaking the Cycle up to the end of 2011 was published in summary in 2012¹⁴. This reported that 'significant progress towards recovery' was made by the majority of family clients across 12 relevant domains, such as reducing substance use, reducing using risk, reducing family harm, improving housing stability. This was a very positive finding. There were problems, though, in terms of being able to use this data to support the social value proposition for Breaking the Cycle. For example, it was not specific enough to enable us to say how much progress had been made by which types of service users.

Points to note

- 'Evidence' can mean different things to different people.
- Many public and VCSE sector 'social purpose' organisations do not routinely evaluate each service offered. In that context, any service with evaluation evidence, such as Breaking the Cycle, may be seen as having an advantage over other services with no systematically collected evaluation evidence of effectiveness.
- On the other hand, increasingly evidence is being assessed against agreed hierarchies of methodological rigour. Evidence hierarchies (evidence standards)

A strategic decision was taken to enhance the data collected about Breaking the Cycle so that more could be said, more compellingly, about the outcomes arising from the intervention. The revised evaluation is discussed in Chapter 4. Here we simply raise the issue that it costs money to undertake systematic evaluation of service outcomes and, as rigour increases, so do costs.

¹⁴ The Breaking the Cycle Commission, 2012. *A Better Future For Families: The importance of family-based interventions in tackling substance misuse*. London: Addaction.

Points to note

- Evaluating service outcomes is good practice. It also provides evidence to underpin any social value proposition.
- Evaluation requires specific knowledge and skills, time and resources. As methodological rigour increases, so, often, do costs.
- Many VCSE sector organisations are able to report their results in varying degrees of depth but do not have the resources to collect and analyse data about their interventions to the level of rigour required to show:
 - o the level of change achieved by service users overall and by meaningful client sub-groups (e.g. men versus women, older versus younger)
 - o that it was the service (or intervention) that caused the change (and not something else)
 - o that the cost of achieved change is reasonable.

We end this chapter with a recognition that:

- social investors who are serious about investing in innovative services that tackle entrenched social problems, also recognise the need to fund service providers to use good quality evaluations. Ideally, these evaluations would reach at least Level 3 on the Nesta evidence standards and on the Early Intervention Foundation evidence standards – that is, an evaluation that uses a randomised control, or a carefully identified comparison group to demonstrate the impact caused by the service¹⁵.

¹⁵ In practice, it may not be feasible or ethical to gather evidence to these standards, in which case the reasons for this will need to be articulated clearly.

3.6 Chapter summary

In this chapter, we explained the importance of being able to provide a social value proposition; that is, to be able to offer compelling answers to the questions: ‘Why should I commission your service?’ or ‘Why should I invest in your service?’. We shared an example of a simple template for a service description and suggested additional elements that could usefully be included. From our case study, we shared the learning that sometimes seeking to describe your service accurately can raise other questions that require internal research to answer. We conducted interviews with frontline workers and their managers in order to answer these questions for Breaking the Cycle. We reported that the work done to create an accurate service description enabled us to define the essence of the Breaking the Cycle service and to pinpoint the two core outcomes against which every client family were assessed. It also enabled us to create a longer list of other outcomes which the Breaking the Cycle work supported with some families, appropriate to their needs.

We also explored two issues raised for social investors by family support services like Breaking the Cycle: variability in service delivery, and the need for financial support to evaluate outcomes. Regarding variability in service delivery, we summarised the evidence that this was viewed as valuable on the ground yet posed issues of increased risk to the predictability of social outcomes being achieved. We reported how this tension was resolved by setting out the critical success factors for delivery of Breaking the Cycle that offset the potential risks to outcomes inherent in delivery variation. Regarding the costs of evaluating outcomes, we reported that many public and VCSE sector ‘social purpose’ organisations do not routinely evaluate services offered to the level of rigour required for an accurate service description feeding in to a compelling social value proposition. Doing so requires specific knowledge, skills, time and resources. This increases costs. The good news is that this expense is recognised by social investors serious about investing in innovative services that tackle entrenched social problems: increasingly, such social investors are funding providers to conduct rigorous evaluation of outcomes.



4 ESTABLISHING THE EFFECTIVENESS OF THE SERVICE

4.1 Introduction

This chapter shares our learning from the evaluation work designed to establish, with increased rigour and in greater detail than before, the effectiveness of Addaction's Breaking the Cycle service. Evidence of effectiveness in improving outcomes for service users is a persuasive part of a social value proposition (the pitch to potential commissioners and investors).

We set out:

- the importance of a sound evidence base for commissioned interventions
- the strengths and limitations of the pre-existing evidence on Breaking the Cycle
- the enhanced evaluation design
- the challenges in implementing that design and the ways we found around these challenges.

4.2 The importance of a sound evidence base for commissioned interventions

There is an **ethical duty** to ensure that service interventions benefit the participants. The only way to be sure that outcomes of an intervention are beneficial is to systematically collect information, relevant to the intervention, from and about the participants. This is the moral argument for routine evaluation of interventions.

There is also a question of **value for money**. It makes good sense to spend money on services that are effective¹⁶ in meeting their aims and not to spend money on services that are not. This is the financial argument for routine evaluation of interventions. In addition, there is a **practical benefit** from collecting and using good data about an intervention or service. Routine use of good data enables organisations to make **better decisions** about practice, enabling positive adjustments and refinements to service delivery.

The Early Intervention Foundation has used its standards of evidence scale, which rates interventions from 'ineffective/harmful' to 'consistently effective', to **link each standard to a recommendation for the commissioner or provider**. Their recommendations are set out in Figure 3.

¹⁶ Value for money is, of course, also about efficiency and economy, as well as effectiveness.

Figure 3 - EIF's recommendations for commissioners or providers linked to evidence base for an intervention

Evidence or rationale for programme	Description of programme	EIF rating	Recommendation for commissioner or provider
Multiple high-quality* (RCT/QED) evaluations with consistently positive impact across populations and environments	Consistently effective	4	Take to scale (subject to local feasibility and appraisal)
Single high-quality (RCT/QED) evaluation with positive impact	Effective	3	Commission and evaluate
Lower-quality (not RCT or QED) evaluation showing better outcomes for programme participants	Potentially effective	2	Pilot and evaluate rigorously
Logic model and testable features, but no current evidence of outcomes or impact	Theory-based	1	Track performance and outcome measures
No logic model, testable features or current evidence of outcomes or impact	Unspecified	0	Develop logic/ measurement model
Evidence from at least one high-quality (RCT/QED) evaluation indicating null or negative impact	Ineffective or Harmful	-	Redesign/Avoid/ Decommission

*'High quality' defined as either a randomised controlled trial (RCT) or a quasi-experimental design (QED).

Source: [EIF Guidebook, Standards of Evidence](#) and [Leon Feinstein, EIF](#)

Figure 3 (sourced from EIF) can be interpreted as a visual summary of the logical stages by which an innovative idea (EIF rating 1), based on a sound logic model, can use performance and outcome measures, if positive, to make the case for a larger pilot of the intervention. When this pilot is in turn evaluated and shows improved outcomes for participants (EIF rating 2), this is the stage to invest in high quality evaluation which, if findings are positive (EIF rating 3), make the case for the intervention to be commissioned and to continue to be evaluated. If these positive findings are replicated through high-quality evaluations in multiple intervention sites (EIF rating 4), then there is a strong case for the intervention to be rolled out (taken to scale).

The EIF summary of the way in which evidence should be linked to scale of intervention provides a useful reference point for the rest of this chapter.

4.3 The strengths and limitations of the pre-existing evidence

Breaking the Cycle was a ‘theory-based’ intervention (EIF rating 1) with a sound logic model supported by the literature on how to reduce the harmful effects of parental substance misuse on children by increasing the protective factors and reducing the risk factors. From the inception of Breaking the Cycle, Addaction, supported by its philanthropic grantors, commissioned external evaluation of performance and outcomes which showed positive outcomes for participants (EIF rating 2)¹⁷. This level of evidence, indicating the intervention was ‘potentially effective’ in EIF’s grading, was enough to obtain further philanthropic grants and commissioned contributions (see Table 1, Chapter 1). It would also potentially have been enough to interest a social investment organisation such as Nesta. Nesta Impact Investments expressly stated that it was willing to work with organisations with innovative approaches to achieving its desired outcomes, including those with lower levels of evidence; and, crucially, was willing to invest in increased levels of evaluative rigour alongside investment in delivery of the intervention¹⁸. It was not, however, a sufficient level of evidence of effectiveness on which to build a social value proposition to pitch to social investors interested in developing a social impact bond or similar.

4.4 The enhanced evaluation design

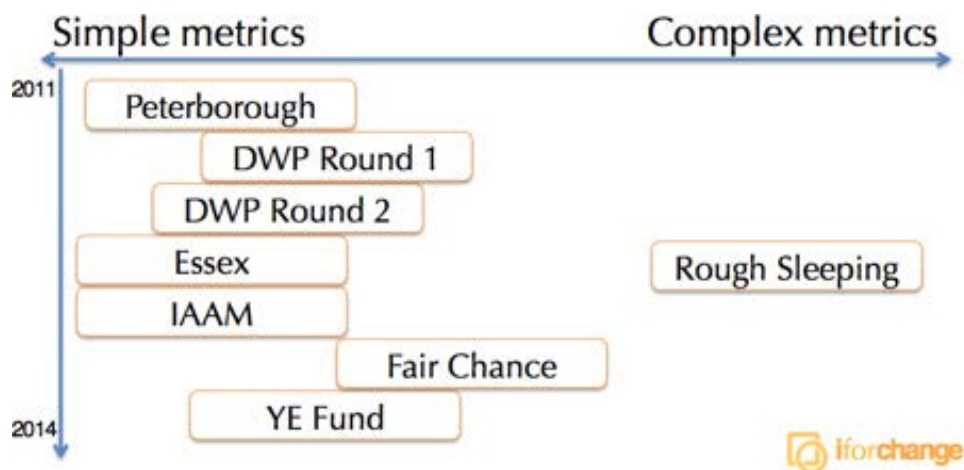
We aimed to use a randomised control design if possible or, if not possible, a quasi-experimental design (QED) including a comparison group, with key data cross-validated with other data holders, and drawing on any longitudinal data available.

To support the new evaluation, we agreed a new outcomes framework to test out the Breaking the Cycle model. At the time of our research, existing social impact bonds leaned towards having few metrics (see ‘simple metrics’ in Figure 4).

¹⁷ These are unpublished reports provided to Addaction by the external evaluator commissioned to analyse Breaking the Cycle data.

¹⁸ Puttick, R. and Ludlow, J. 2012. [Standards of Evidence for Impact Investing](#). Nesta: London.

Figure 4 Diagram of relative simplicity-complexity of metrics in existing SIBs



Source: Russ Bubley, i for change, September 2014¹⁹

Our view was that the complex needs addressed by Breaking the Cycle required **multiple outcome measures (i.e. more complex metrics)**. We were wary about seeking to reduce measured outcomes to an artificial one or two as this risked compromising service delivery. On the other hand, too many metrics could create an undue burden on families and on workers. Apart from reduction in substance misuse, we could not tell from existing data on which outcome domains Breaking the Cycle made the biggest impact. We decided therefore to adopt an iterative approach to outcome measurement. We started off by measuring multiple outcomes - across nine key domains for adults and six key domains for children (Figure 5). This would then be reduced and refined as we obtained data to guide our decisions. In mind at all times was the need to show the **effectiveness of the service** and the need to capture data on outcomes in domains for which it might be possible to obtain **payment through a payment-by-results contract**. Our hope was that, for most, both would be true.

¹⁹ Descriptions about each of these SIBs can be found on the Cabinet Office's [Centre for Social Impact Bonds](#) website.

Figure 5 Outcome domains

For adults	For children
<ul style="list-style-type: none"> • Substance misuse – drugs; alcohol • Criminal justice – offending; anti-social behaviour • Domestic violence • Family functioning • Parenting • Financial security • Health service usage • Psychological and mental health and wellbeing • Employment and education 	<ul style="list-style-type: none"> • School attendance and truancy • Child protection status • Substance use • Criminal justice • Behaviour problems • Mental wellbeing

Source: internal project document

Within each domain, we defined a positive outcome and agreed an associated **metric** (a definition of what would count as that outcome having been achieved) (Figure 6). Where possible, we also identified an external source where the outcome could be **verified**. In addition, where possible, we identified the relevant cost category within the [Troubled Families costs database](#) to help us create a **cost-avoidance** case.

Figure 6 Outcome framework example

Outcome domain	Parent substance use – drugs
Desired outcome	Abstinence OR Reduction OR Relapse prevention
Metric	Abstinence: no use Reduction: significant progress in previous two TOP Plus forms; clinically reliable; no relapse in defined period Relapse prevention: no use
Data collection method	Treatment Outcome Profile
Data verification – external agency	Public Health England
Troubled Families cost category	Adult drug use (linked to criminal justice costs, not health costs)

Source: internal project document

We reviewed and refined the data-collection tools used to ensure they would **provide evidence towards each outcome metric**. Prior to the project beginning, Addaction had already enhanced its evaluation of Breaking the Cycle by adopting well-established, standardised measures of parenting efficacy (TOPSE²⁰) and of clinical anxiety and depression (GAD-7²¹ and PHQ-9²²). A third standardised measure was added to capture mental wellbeing (Shorter Warwick Edinburgh Mental Wellbeing Scale – Shorter WEMWBS). In addition, even though Breaking the Cycle was not required to report treatment outcomes to the National Drug Treatment Monitoring System (part of Public Health England), workers had agreed to adopt the routine use of the national standard Treatment Outcome Profile (TOP), with additional questions designed by Addaction ('TOP Plus') including, for example, questions about the client's responsibility for any children, and about the interventions delivered since the previous review.

²⁰ TOPSE consists of 48 self-efficacy statements that address six domains of parenting; emotion and affection, play and enjoyment, empathy and understanding, control, discipline and boundary setting, pressures of parenting, self-acceptance, and learning and knowledge.

²¹ GAD-7 originates from Spitzer RL, Kroenke K, Williams JB, et al. 2006. [A brief measure for assessing generalized anxiety disorder: the GAD-7](#). Archives of Internal Medicine, May 22;166(10):1092-7.

²² Kroenke, K., Spitzer, R.L., Williams, J.B. 2001. [The PHQ-9: validity of a brief depression severity measure](#). Journal of General Internal Medicine, Sep;16(9):606-13

Advice for organisations considering social investment when designing or enhancing your service evaluation:

- Where possible, use standardised evaluation tools (questionnaires; set questions) that are widely accepted as robust and valid.
- Seek out ways to corroborate key information that would otherwise be based only on client self-report (see ‘Verification’ challenge below).
- Ensure workers are trained to follow an evaluation protocol that helps them to avoid acting on a vested interest in showing positive client outcomes.

4.5 The challenges in implementing the enhanced evaluation design and the ways we found around these challenges

There were a number of challenges faced by Addaction in implementing an enhanced evaluation of Breaking the Cycle. Here we share the learning points from these, in turn. We also emphasise that addressing these challenges took skill, knowledge and time: in other words, resources. During this case study, the project funding enabled Addaction to have a full-time worker dedicated to the task. To maintain this level of investment in performance data analysis and the applied use of that information to drive improvements in service outcomes requires commitment, ‘from the boardroom to the frontline’²³.

Advice for organisations considering social investment

- Chief Executives and boards should invest in skilled people to design and use data systems that enable service performance to be monitored and service user outcomes to be captured and, where necessary, verified.
- This should be seen as representing, ‘a commitment to accountability and impact which should be central to any social organisation, from the boardroom to the frontline’ [as Footnote 25].

²³ Daniela Barone Soares, Foreward in Tomkinson, E. (2015) [Delivering the promise of social outcomes: the role of the performance analyst](http://deliveringthepromise.org). Published online by Laboratorio de Investimento Social, Impetus Private Equity Foundation, and Think Impact. <http://deliveringthepromise.org>

4.5.1 Creating a plausible comparison group

In order to be able to provide good evidence that any change related to desired outcomes (positive, negative, or none) that occurs for service users occurs because of that service, and not for some other reason, it is necessary to have a comparison group that is as similar as possible to the service user group but made up of people who do not receive the service. It is also necessary to collect the same data from both groups in the same way. Stronger claims about **causation** can be made when people are **randomly assigned** either to the comparison group or to the service user group.

Randomised controlled trial?

Ideally, we would have liked to create a randomised controlled trial (RCT) for Breaking the Cycle as this would have produced the strongest evidence of the impact (positive, negative or none) of the service compared to not having the service. This would have required us to be able to randomly assign appropriate referrals either to receive Breaking the Cycle or to continue to receive existing support and join a waiting list to receive Breaking the Cycle later. We would also have needed to collect the same data set on both groups. An approach that met with ethical approval, and which we considered valid, was to consider a site where both Breaking the Cycle and regular adult treatment services were on offer, but where the Breaking the Cycle programme was likely to be significantly oversubscribed; potential clients could then be assigned randomly to the two groups. Unfortunately, local considerations about the service delivery made that impossible, and we had to proceed without randomisation.

One of these considerations was the time involved in collecting data from both the waiting list control and the active group in receipt of the service. Another was that the average length of time clients were in receipt of Breaking the Cycle (6-9 months). This put our local authority research partners off adopting a waiting list approach: preventing some families from receiving the service for six to nine months was deemed unacceptable.

Key learning about RCTs

- Creating a randomised control group for an intervention requires time and commitment from service managers and workers on the ground. A full data set needs to be collected from both the control group and the group in receipt of the intervention.
- When recruiting service users to a 'waiting list' randomised controlled trial, it is important to emphasise that those who do not receive the service immediately, and are instead assigned to the control group, will receive the service at a later date should they still desire it.
- The length of waiting time for the control group is an important ethical consideration.

Quasi-experimental design?

In a quasi-experimental design (QED), the service users are compared to a similar group of people who **meet eligibility criteria** for the service and are **as alike the service users as possible**. This was the model we adopted to meet the challenge of not being able to use a randomised control group. Our comparison group design went through a number of iterations. For example Figure 7 shows the options we explored, focusing on just two or three local areas, and the issues raised.

Figure 7 One comparison design that did not happen

Breaking the Cycle service users **(A)** compared to substance-misusing parents eligible for the service but instead:

- Go through adult substance treatment as individuals **(B)**
- OR
- Receive no structured substance misuse treatment (not registered with treatment services) but in receipt of support from other service/s **(C)**
- OR
- Receive Troubled Families interventions **(D)**.

Ideal plan would be to compare (A) to each of groups (B), (C), and (D).

Data collection role

Group A – Addaction Breaking the Cycle workers

Group B – Addaction adult treatment service workers

Group C – Non-Addaction staff – so would need full backing of local commissioner/s, manager/s and workers of support service/s.

Group D – Troubled Families workers (non-Addaction staff but commissioned by same local commissioner as Breaking the Cycle)

Source: internal project documents

To ease the burden on frontline workers, we created a scaled-down 'minimum data set' and a specifically designed Information Sheet and Consent Form for parents in the comparison group. The same problem arose, though, about the time involved in gaining consent, and collecting additional data, from parents in receipt of Adult Treatment or other support and so this approach (Figure 7) was not used.

In the end, we were limited to using a comparison between parents using Breaking the Cycle (**Group A** in Figure 7) and similar parents that had used Addaction's Adult Treatment service and had not used Breaking the Cycle (**Group B** in Figure 7 but extended to cover all Addaction adult treatment services). In other words, we used prospective cohort data from those going through Breaking the Cycle and compared it to retrospective data on similar parents who had gone through Addaction's adult treatment services. Figure 8 summarises the strengths and limitations of this design.

Figure 8 Comparison design adopted: strengths and limitations

Breaking the Cycle service users **(A)** compared to substance-misusing parents eligible for the service but instead:

- Go through adult substance treatment as individuals **(B)**

Data collection role

Group A – Addaction Breaking the Cycle workers

Group B – Addaction adult treatment service workers

Strengths:

- Comparison limited to data collected routinely by workers.
- Outcomes collected on standard form used for reporting to the National Drug Treatment Monitoring Service (NDTMS), lending credibility.
- Avoided ethical issues about asking questions about aspects of life for which no intervention was provided.
- Covered the main 'purchasable' outcomes (comparing measurement at assessment and at discharge).
- Acceptable as a way of providing indicative data that was a developmental step towards an ultimate aim of using a randomised control group.
- Similarity with Breaking the Cycle service users created through statistical filtering.
- Comparison based on a statistical logistic regression model to estimate what the outcomes would have been for the Breaking the Cycle cohort had they gone through regular Addaction adult treatment instead.

Limitations:

- No randomisation, therefore statistically weaker design.
- Lacked the additional demographic and outcomes data collected for the Breaking the Cycle group.

Source: internal project documents

National data on comparable groups of parents?

Being able to compare data with similar people who did not receive the service provides information about the level of impact that could be claimed as due to the service. To strengthen a service's social value proposition even further, it is also good practice to check how well this level of impact compares with other similar or competing services nationally. There are clearly market sensitivities in doing this and so this type of comparison tends to rely on publicly available data.

Key learning about comparing service outcomes

- When comparing your service's level of impact with similar services nationally, take great care to compare 'like' with 'like'.
- You may need to speak to the people behind the publicly available data to ensure the possibility of doing this – for example, to make sure that the type of client is the same or as similar as possible.

For our Breaking the Cycle case study, we wanted to be able to check how well any impact revealed by the comparison study compared to publicly available data on similar or competing. We explored comparison with Troubled Families data and with data on parents from the National Drug Treatment Monitoring System (NDTMS) and various other places. We did not succeed in finding data where we could compare 'like' with 'like'. In the end, the closest comparison was with the NDTMS data on parents in treatment.

4.5.2 Training of workers in compliance and use

Addaction's external evaluator and the full-time project manager together trained Breaking the Cycle workers in five case study sites on use of the new data collection tools. A subsequent session was arranged to train Breaking the Cycle team leaders in other areas who then trained their own teams.

The training allowed opportunity for discussions about the performance management implications of the data collection. Workers were reassured that any service delivery performance issues revealed by the data analysis would be addressed sensitively through the supportive route of staff and service development, not through a punitive route. Staff were alerted to the dangers of 'cherry-picking' clients and reassured of the expectation and importance of collecting data and reporting outcomes on all clients referred in to the service.

Key learning about supporting staff to make changes to data collection

- When introducing new data collection tools, staff training and support is key to ensure compliance and appropriate use.
- This requires planning and time (a cost) but the benefits include the opportunity to listen to staff fears and to provide reassurances, as well as to reinforce the importance of collecting data to enable the reporting of outcomes for all clients referred in to a service.

4.5.3 Integration of data across sites

A practical issue, faced by many organisations, like Addaction, with a devolved regional structure, was the need to work around there being different client record databases in use in different geographic areas. The full-time project manager worked round this by manually inputting data to the master database which could not be integrated automatically. In addition, at the data analysis stage, data that appeared inconsistent were queried and resolved by, for example, tracking back to case notes.

4.5.4 Verifying results

In payment-by-results contracts, there are **two concerns** about results data that need to be addressed. One is that the outcome results claimed by the provider are **fraudulent or perhaps just optimistic**. This commercial risk requires a commercial decision to be made as to how to minimise the risk. Ways of doing this include random spot-checking of results, auditing of documentary evidence, or independent verification by others without a vested interest in the results. The second concern is that the results data is **biased**. For example, results based only on clients' self-reports of improvements may be biased²⁴. In some cases, such self-reports can be independently verified (for example, parent reports of improvements in children's school attendance can be independently verified by school or local authority data). In other cases, such as reported improvements in mental well-being, there will always be subjectivity. The use of standardised questionnaires to measure such outcomes is one way of increasing the reliability and validity of results (see Section 4.4 above for the standardised questionnaires used in our study). The possibility remains that clients may over-estimate positive improvements in order to please their caseworker; this likelihood is reduced by workers being trained in the protocols for administering the questionnaires which include clients having privacy to complete them.

²⁴

Other forms of bias that may affect results are noted in Section 4.6 below: selection bias and survivor bias.

We wanted to be able to have key results data about Breaking the Cycle clients cross-validated by other organisations who also collected these data. This process is often referred to as ‘data-matching’. There are **ethical**, **legal**, and **technical** issues to resolve in order to achieve this. Ethically, all parties have to agree that any intrusion into clients’ privacy arising from data-matching is proportionate to the risk of over-claiming of payable results. Making the right technical choices can help protect individual privacy whilst still providing verification. For example, seeking verification at the level of a group of individuals (a ‘cohort’) rather than at the level of each individual. That is, the external organisation would report back results for the group as a whole, rather than for each individual within it.

Legally, data protection principles must be adhered to. In practice, this means first ensuring that **permission** has been received from service users that the minimum possible identifiable data about them can be used in order to match claimed results with data held about them and their children by other organisations (in our case study, this was limited to data held by statutory services). Addaction revised its standard data-sharing consent forms in order to include this aspect of data-sharing. It remained each client’s **right** to consent or not to consent to such data-matching. Then it was necessary to gain permission from local controllers of relevant data to seek matched data.

Once the requisite permissions are in place, there is the technical issue of agreeing a **protocol** for the data-matching. This includes agreeing the **basis for matching identity**. Usually, three pieces of information are used for this purpose. For example, these could be: national insurance number, name, and date of birth. For results relating to school age children, the unique pupil number could be used instead of the national insurance number. There also has to be agreement for each data set which **database field/s** are being matched e.g. the match could be of an activity level, such as number of visits to Accident and Emergency, or of an outcome, such as change in employment status. External verification of key results data requires time and resources, as well as good relationships with partners providing the data match.

Key learning about verifying data externally

- The ability to verify data from external sources is an important way of underpinning the rigour and credibility of claims about outcomes.
- Data matching requires systems to be set up to ensure the relevant permissions and protocols are in place. This includes ethical and technical aspects.
- [The Centre for Excellence for Information Sharing](#) is focused on how better information-sharing across partners can support public service improvements. It has produced [resources](#) that can help your organisation think through the steps required to enable data-matching.

In our case study, we created a list of externally verifiable data on the client families (Figure 9).

Figure 9 Case study examples: list of externally verifiable outcome data

External source	Outcome/s or Outcome indicators to verify
Children's Services	School attendance/truancy School exclusions
Social Care/Children's Services	Common Assessment Framework level Risk status of the child/ren Level of Social Care involvement with the family
Drug and Alcohol Team	Level of support to family re substance misuse
National Health Service	Number of GP appointments Number of Accident and Emergency admissions Use of hospital – in-patient admissions; nights in hospital
Police	Offending convictions Domestic violence/abuse – perpetrator Domestic violence/abuse – victim
Department for Work and Pensions	Employment status State benefits claimed

Source: internal project document

To test out the feasibility of introducing data matching, Addaction focused on one local area and one statutory agency. This process showed that it was possible to verify some results. It also raised issues about other results. This arose where the external organisation had more information than Addaction. For example, in one case, the statutory agency held more information about offending behaviour than the client had been prepared to self-report to Breaking the Cycle. This example illustrates the value of external data verification as one way of avoiding unintentional over- or under-claiming of positive results of an intervention.

4.5.5 Variation in case management timescales

Being able to predict and understand variation in service delivery and outcomes is a key desirable for anyone interested in investing in that service. The routine collection and analysis of service monitoring data supports this. It can also throw up variation that then requires further investigation. In our case study, we knew that there was variation in the period of time for which individual clients engaged with Breaking the Cycle. We did not have enough data to predict this variation from quarter to quarter. During the first quarter of data collection, a much smaller number of cases had been completed ('discharged') than had been the case in the same quarter the previous year. Our response was to increase the number of Breaking the Cycle sites included in the data analysis to obtain sufficient data for the research. Addaction's response was to continue to monitor numbers of cases discharged per quarter to see if predictable patterns emerged over time.

Key learning about reviewing service performance data

- Be prepared for regular (e.g. quarterly) review of service performance data to show up anomalies.
- Be prepared to commit time and resources to investigate further so that variation in service delivery is understood and, where appropriate, addressed.

4.5.6 Fidelity versus flexibility in service delivery

The tension between fidelity versus flexibility of service delivery was reported in Chapter 3, section 3.5.1. In our case study, fidelity was conceptualised in relation to core elements that underpinned success ('critical success factors'). As long as that core was in place, local teams and workers had flexibility to deliver the service in ways that took account of the needs of each family, the additional specific skills of each worker and the existing services in the area.

4.6 How the research design affected attribution of outcomes

In a payment-by-results contract, commissioners want to be clear that the results they are paying for were achieved by the service commissioned, and not for some other reason: in other words, that the results paid for are attributed to the organisation whose work led to them²⁵. As discussed in Section 4.5.1 above, attribution can be tested out using a research design that includes a randomised control group. Our quasi-experimental design, with a control group matched on a set of key variables, enabled us to make one specific claim about **attribution** (see Chapter 5, section 3). Our pre-post study provided indicative evidence that Breaking the Cycle contributed to a range of other positive results (see Chapter 5, section 2). Without a randomised control group or a quasi-experimental design, we could not evidence claims about the extent to which these results could be attributed to Breaking the Cycle, as opposed to other support offered to families during the time of their engagement with Breaking the Cycle.

Our approach to attribution reflected the claims we could make based on the two strands of our research. Where we had the strongest evidence, results relating to substance misuse treatment outcomes, we made the strongest claims about attributing these to Breaking the Cycle. Where we had indicative evidence from the pre-post study of positive results arising from Breaking the Cycle, our approach was not to make claims about how much of these results could be attributed to Breaking the Cycle and how much to other partner organisations working with the same families. Instead, we articulated clearly that the essence of Breaking the Cycle included working in close collaboration with other organisations also supporting the same families. That collaborative work was designed to ensure that clients' needs were identified and met and that Breaking the Cycle added value to the support otherwise available.

²⁵ Difficulties of attributing payable outcomes may be addressed increasingly through 'alliance contracting', that is, where several organisations work together to deliver outcomes on a partnership basis. More information [here](#) (p18).

As reported in Chapter 3, section 3.5.1, interviews conducted with 25 representatives from a wide range of collaborating organisations showed that Breaking the Cycle was perceived as adding value in two ways: by providing unique support that families would not otherwise receive, and by enabling partner organisations to work more effectively with the families. Taken together, the clear articulation of the service description, the evidence of positive results from the pre-post study, and the interview evidence from partner organisations would, in our view, be understood by commissioners as indicating that Breaking the Cycle was a part of the service provision jigsaw that was worth paying for. The financial value attributed to that contribution is a commercial decision, open to negotiation. In Chapter 6, we discuss how attribution is included as one element within a cost-benefit analysis and how we dealt with it in relation to Breaking the Cycle.

4.7 Challenges that remained unresolved

There were some challenges that we faced in seeking to implement a high-quality evaluation that we found no way around during the timescale of the project. One of these was the **lack of long-term service user follow-up (i.e. 3-10 years as a minimum)**. From Addaction's provider perspective, while the value of long-term follow-up data was recognised, this was information that had never been required by commissioners and for which there was no extensive pool of unrestricted income to use to fund its collection and analysis. It is likely that this is the case for many VCSE sector providers. Nevertheless, for the purposes of outcomes purchased through a payment-by-results mechanism, this longer-term follow-up data is important. This is because, in a social impact bond contract or similar, some of the costs predicted to be 'avoided' on the basis of short term outcomes would require to be verified as having been avoided in the longer term to justify the desired up-front social investment in the service. For example, longer-term follow-up of clients' children would enable Addaction to show how far it is the case that these children are less likely to misuse substances in adulthood than children of substance misusing parents who did not receive the Breaking the Cycle service.

Key learning about the benefits and challenges of collecting data on longer-term outcomes

- Evidence of longer-term positive outcomes, and therefore of costs avoided, provides strong metrics to underpin payment-by-results contracts, ensuring that providers are guided to deliver on outcomes representing improved value for money, and more social impact.
- VCSE sector (and some public sector) services will need to be supported technically and financially to put in place routine follow-up of service users in the medium term e.g. after six months, after 1 year.
- For longer term outcomes, for example followed-up after 2, 3, 5, 10, 15 years, especially those affecting children of service users, VCSE sector providers will also require support to achieve data-sharing across local and central government (for example to follow-up on employment status, on offending behaviour et cetera), as well as technical and financial support to put agreements in place in advance and to carry out the follow-up work.

A second issue that we did not resolve was what to do about the relatively high level of referrals about whom we had chunks of **missing data**. For example, about a third of parents referred to Breaking the Cycle did not progress to assessment. There were various reasons for this 'drop out' prior to assessment, ranging from the client moving out of the locality or the client's contact with their child coming to an end (e.g. through the child being taken into care permanently) to inappropriate referrals from other agencies. A number of clients declined the Breaking the Cycle support at a point between referral and assessment. As well as a potential service delivery issue (which was investigated and worked on within Addaction through, for example, ensuring Breaking the Cycle criteria were clear to other agencies), this raised a problem for the social value proposition we were working towards. Having been referred but not assessed, meant clients had not signed data-sharing consent and so information about them was not available for this study. This meant we could not state that there was no 'parking' of potentially intractable clients or 'creaming' of potentially easy-to-work-with clients. We simply did not know because there was very little data. This then created an unknown degree of selection bias which weakened the case for the level of impact created by the service. A further source of missing data were unplanned discharges from the service (20%), where discharge data was not collected. Again, this opened up an issue about bias, this time 'survivor bias'.

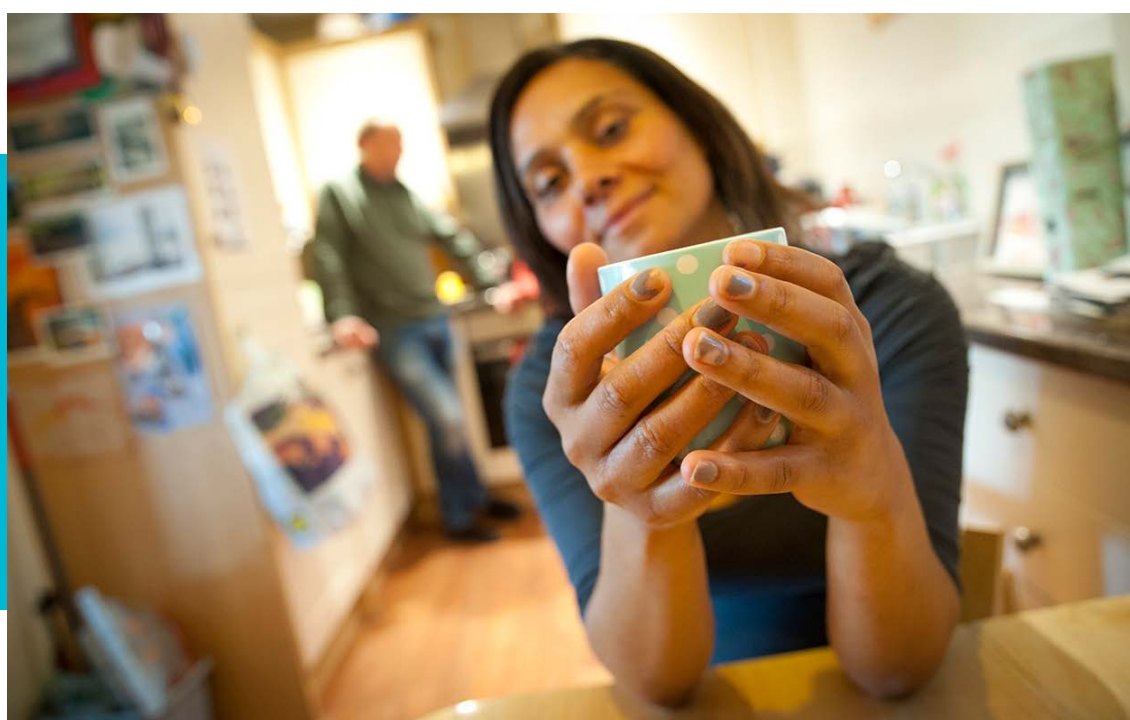
Key learning about avoiding 'selection' and 'survivor' bias in outcome data

- Reviewing data on referrals is a vital part of service monitoring. If people referred are not assessed, the reasons for this need to be transparent to avoid potential problems with 'selection bias' in interpreting outcomes and impact.
- Similarly, service discharge data needs to be reviewed: any data missing for those with unplanned discharges creates 'survivor bias' in the outcome results. For example, it could be that everyone with an unplanned discharge also had negative outcomes which, if taken into account, would offset at least some of the positive gains made by those with planned discharges. This can be mitigated where data is collected routinely from external bodies, e.g. the local authority.

4.8 Chapter summary

This chapter covered four main topics: the importance of a sound evidence base for commissioned interventions; the strengths and limitations of the pre-existing evidence on Breaking the Cycle; the enhanced evaluation design; and the challenges in implementing that design.

We argued that there were moral, financial and practical reasons why commissioned interventions should have a sound evidence base. We used the Early Intervention Foundation's standards of evidence as a reference point for describing the strengths and limitations of the pre-existing evidence of effectiveness of Breaking the Cycle. Using that criteria, the service was viewed as 'potentially effective'. Then we described the evaluation design we sought to put in place to enhance the evidence of effectiveness: ideally, a randomised control design or, if that was not possible, a quasi-experimental design. We explained why we decided to collect data on multiple outcome measures. We set out the multiple domains against which we defined a positive outcome and an associated metric. We shared our approach to addressing the challenges of implementing the new design, and emphasised that good quality evaluation takes skill, knowledge and time and requires commitment from the whole organisation. The challenges we managed to address to varying degrees were: the creation of a plausible comparison group; the training of frontline workers in compliance with, and use of, the enhanced data-collection tools; the integration of data from multiple sites into one coherent database; verification of key results; variation in length of client engagement with the service; and variation in service delivered. We explained how our evaluation design affected what we could claim about results attributed to Breaking the Cycle. Finally, we discussed the two main challenges we were not able to address: the lack of long-term service user follow-up; and the levels of missing data.



5 SUMMARY OF RESULTS ON EFFECTIVENESS OF BREAKING THE CYCLE

5.1 Introduction

In this chapter, we share our findings about the effectiveness of Breaking the Cycle. First we report on findings from a comparison of assessment versus discharge data on Breaking the Cycle service users ('pre-post study'). Then we report on adult outcome findings from a comparison of Breaking the Cycle and Addaction Adult Treatment only ('comparison study')

All data reported here covers the period 1 April 2013 to end July 2014. It was sourced from 15 different Breaking the Cycle local services. Percentages are rounded to the nearest whole number.

5.2 Findings from the pre-post study

From our 'pre-post study' of Breaking the Cycle, we were able to:

- describe the client group in more detail than ever before
- report more information about service delivery processes
- report adult outcomes
- report child outcomes.

5.2.1 Who used the Breaking the Cycle service?

We obtained data for **209** Breaking the Cycle clients. The clients were mainly parents but also included a small number of step-parents and grandparents.

Of these:

- the majority were female (146; 70%)
- the average age was 33 years old
 - o mean was 33.3 years; median was 33.5 years
- the largest group²⁶ lived 'alone with child(ren) under 18 years' (54; 44%)
 - o the second largest group lived with a 'partner & child/ren under 18 years' (25; 20%)

²⁶ Total used here is 122 service users as these data were missing for 87 clients (mainly those Not Assessed).

- the majority of service users had one or two children (87 of 129 families; 67%)
 - o compared to the general population, the Breaking the Cycle cohort had statistically significantly more families with three or more children (33% for the cohort versus 14% for the general population)
- the ages of children of Breaking the Cycle clients was skewed to the pre-school and primary school range, with a minority of secondary school age

This description of the Breaking the Cycle service users was **useful to the service managers**. For example, it prompted an internal discussion as to whether or not the gender bias towards females was appropriate. Having reflected on this finding, the Breaking the Cycle team decided that no change was necessary as the predominantly female referrals reflected the reality that women are usually the main caregiver, and therefore the focus of child protection activities. The description of service users also prompted a discussion about the bias towards younger aged children. Again, having reflected on this, the Breaking the Cycle team decided that this bias reflected considerations made by referring agencies who perhaps viewed younger children as most at risk from parental substance misuse. It was viewed as a matter that required further discussion internally and with referring agencies.

Advice for other organisations

- Use the data you collect on your service to review and reflect on service delivery.
- Ask:
 - o should there be changes made? If so, why/why not?

5.2.2 What did we learn about service delivery processes?

Referrals

Our data showed that referrals to the service came from multiple sources. The two most frequent sources of referrals to the service were local authority services (Social Services/Children's Services/Family Services) (n=77; 37%) and other substance misuse services (n=72; 34%)

This information was also useful as it highlighted two main **potential purchasers** (commissioners) of the service.

Assessment to discharge

Of the total 209 service users for whom we had data:

- 33% () did not engage or did not engage long enough to be assessed²⁷
 - o we have very little data about this “Not assessed” group
- 20% () had an unplanned discharge
 - o discharge data may not have been collected for this “Unplanned discharge” group
- 46% () had a planned discharge
 - o we have more complete data for this “Planned discharge” group.

These data also promoted internal discussion (a) about reasons for adults referred not reaching assessment and (b) about reasons for unplanned discharge. These discussions focused on what, if anything, service managers and workers could do to reduce the percentage of referred clients falling in to these two groups.

Our data also indicated that there were large variations amongst Breaking the Cycle local services in the percentage of referred clients falling in to both the ‘Not assessed’ and ‘Unplanned discharge’ groups. Again, these data prompted internal review of processes to explore this local variation. This concluded that there were a variety of likely reasons: one was that some of the areas worked exclusively or mainly with “Troubled Families”, (multiple and complex issues), others mainly with families of offenders - in both cases, families are harder to work with in general. Other reasons related to variability in waiting time to access the service, depending on local demand and capacity; degree of integration with other local substance misuse services - clients who are already involved with a referring service may be more likely to progress beyond the “Not Assessed” stage. Our point here is simply to illustrate again how **using routinely collected data can drive reflections on service delivery** that may lead to refinements or simply a greater understanding of the complexities faced by workers on the ground.

5.2.3 What were the outcomes for adult service users?

In Figure 10, we report adult outcome data, based on the **97** service users who had ‘**Planned discharges**’ (i.e. comprising 46% of the total 209 who were referred).

²⁷ Reasons for this are discussed in **Section 4.6**. (By 2014-15, this had reduced to 15% not engaging or not engaging long enough to be assessed. See Section 6.7.2 for further details.)

Figure 10 Adult outcomes

Desired outcome	Outcome results
successful substance misuse treatment	<ul style="list-style-type: none"> 83 (86%)
improved mental wellbeing	<ul style="list-style-type: none"> 66 of 88 clients for whom we had data (75%) showed improved psychological health 33 of 66 clients for whom we had data (50%) showed substantial improvement in mental wellbeing 54 of 89 clients for whom we had data (81%) showed reduced anxiety and 52 (58%) showed reduced depression
reduced offending behaviour	<ul style="list-style-type: none"> 36 incidents self-reported at assessment versus 6 at discharge
reduced domestic violence	<ul style="list-style-type: none"> 12 self-reported as victims at assessment versus 0 at discharge 5 self-reported as perpetrators at assessment versus 0 at discharge
appropriate use of health services	<ul style="list-style-type: none"> Annualised visits to GP reduced from 10 to 8.
increased purposeful activity (employment, education, training)	<ul style="list-style-type: none"> 14 (14%) were working more days per month (12) or in education more days per month (2) at discharge compared to assessment
improved parenting self-efficacy	<ul style="list-style-type: none"> rise in mean scores (on all sub-scales) [details in Table 10]

N = 97 service users with Planned discharge

Source: Breaking the Cycle service data, April 2013 to July 2014.

In Table 2, we give more detail on the improved outcomes relating to parenting self-efficacy.

Table 2 Adult outcomes: further detail on improved parenting self-efficacy

TOPSE section	Mean before	Mean after	Rise in mean	Effect size	n
Emotion and Affection	48.8	54.2	5.4	0.6	84
Play and Enjoyment	44.7	52.3	7.6	0.6	85
Empathy and Understanding	43.7	52.0	8.4	0.8	84
Control	36.1	46.5	10.4	1.0	83
Discipline and Setting boundaries	36.3	46.2	9.8	0.9	83
Pressures	37.9	42.9	5.0	0.4	85
Self-acceptance	44.6	50.9	6.3	0.6	85
Learning and Knowledge	42.0	51.0	9.0	0.8	84
TOTAL (all sections)	330.7	395.5	64.8	0.9	81

N = 97 users with Planned Discharge; n varied from 81-85.

Source: Analysis of Breaking the Cycle service data, April 2013 to July 2014

Parenting self-efficacy is an important outcome as parents' positive perceptions of their parenting competence appear to mediate actual parenting behaviour²⁸ and to have positive associations on child development, especially academic performance²⁹. Table 2 shows the mean scores before and after the intervention (Breaking the Cycle), the rise in the mean and the effect size. The effect size is a measure of how similar or different the scores were. An accepted convention (Cohen, 1988³⁰) is to interpret the magnitude of effect sizes as follows: 0.2 – small effects; 0.5 – medium effects; 0.8 – large effects. This convention is a rule of thumb: even small positive effects can be important in a real context. By this convention, the effect sizes were **medium to large**.

5.2.4 What were the outcomes for the children of service users?

In Figure 11, we summarise the outcomes for the children of Breaking the Cycle parents.

As noted in Figure 11, the number of children for whom we had the necessary assessment and discharge data relating to each outcome varied widely (from 35 to 156). This wide range was not the result of poor data collection; rather, it needs to be understood in the context of two aspects of Breaking the Cycle delivery. One contextual aspect is the age profile of the children of Breaking the Cycle clients. As reported in Chapter 5 (Section 5.2.1), these children were mainly of pre-school and primary school aged. Hence not all our outcome measures were appropriate to all the children. For example, the Short Warwick Edinburgh Mental Wellbeing Scale can only be used with children aged 10 and above. This meant it was appropriate for only a minority of Breaking the Cycle children. The second contextual aspect was that there was variation in the level and type of worker interaction with the children; for example, not all work with clients included direct work with children.

²⁸ [Bandura, A., Barbaranelli, C., Caprara, G.V., & Pastorelli, C. \(1996\) 'Multifaceted impact of self-efficacy beliefs on academic functioning', *Child Development*, 67, 1206-1222; Elder, G. H. \(1995\) 'Life trajectories in changing societies', in A. Bandura \(Ed.\), *Self-Efficacy in changing societies*, \(46-68\), New York, Cambridge University Press](#)

²⁹ [Jones, T. L., Prinz, R. J. \(2005\) 'Potential roles of parental self-efficacy in parent and child adjustment: A review', *Clinical Psychology Review*, 25, 341-363](#)

³⁰ [Cohen, J. \(1988\). *Statistical power analysis for the behavioral sciences* \(2nd ed.\). Hillsdale, NJ: Lawrence Earlbaum Associates](#)

Figure 11 Child outcomes

Desired outcome	Outcome results
Appropriate use of health services	<ul style="list-style-type: none"> • no significant change in GP visits • no significant change in hospital visits <ul style="list-style-type: none"> o low use at assessment (N=70)
Improved mental wellbeing	<ul style="list-style-type: none"> • 10 of 35 children (29%) for whom we had data showed an improvement of at least 5 points (on score scale of 5 to 35) (N=35)
Reduced behaviour problems	<ul style="list-style-type: none"> • reductions in mean scores for all four sub-scales and for 'Total Difficulties' scale • mean score for 'Prosocial behaviour' improved from 5.75 to 7.15 (rise of 1.40), effect size 0.49. [details in Table 11] (N=68)
Child is safer	<p>at assessment:</p> <ul style="list-style-type: none"> • 92 of the 156 children for whom we have data (59%) were in the care system ('Team around the Child' to 'Looked After Child') <p>at discharge:</p> <ul style="list-style-type: none"> • 73 of these 92 children had had shifts down the care hierarchy: <ul style="list-style-type: none"> o 5 of 15 starting with LAC status o 35 of 62 starting with Child Protection status o 31 of 44 starting with Child in Need status o 2 of 3 starting with Team around the Child status • 5 children had gone up the care hierarchy • 14 had no change (N=156)
Improved attendance at school	<ul style="list-style-type: none"> • significant improvement in attendance of primary aged children • at discharge, persistent absence reduced from 11 to 5 cases (N=72) <ul style="list-style-type: none"> • significant improvement in attendance of secondary aged children • at discharge, no change in persistent absence (8 cases) (N=21)
Reduced anti-social behaviour	[numbers involved too small to be meaningful]
No substance misuse	[numbers involved too small to be meaningful]

N - Number relates to children of the 97 service users with Planned discharge

Source: Analysis of Breaking the Cycle service data, April 2013 to July 2014.

Table 3 provides more detail of the reduced behaviour problems of the children, as measured by the Strengths and Difficulties Questionnaire (SDQ) completed by the Breaking the Cycle worker³¹. It shows **small positive effects on all four sub-scales**, with the biggest effect on peer relationships.

Table 3 Child outcomes: further detail on reduced behaviour problems

SDQ section	Mean before	Mean after	Fall in mean	Effect size
Emotional symptoms	3.35	2.40	0.96	0.35
Conduct problems	3.63	2.96	0.68	0.25
Hyperactivity/inattention	5.16	4.57	0.59	0.22
Peer relationship problems	2.79	1.93	0.87	0.41
Total difficulties	14.94	11.85	3.09	0.41

N = 68

Source: Analysis of Breaking the Cycle service data, April 2013 to July 2014.

From our outcome data (summarised in Figure 9), we discovered that anti-social behaviour was not a frequent problem amongst the children of Breaking the Cycle service users. Similarly, neither was children's substance misuse. Both of these findings may relate to the fact that Breaking the Cycle families tended to have younger rather than older children.

5.3 Findings from the comparison study

In our comparison study, we were comparing Breaking the Cycle adult outcomes with Adult Treatment only outcomes. Because of the limited data ³² we had on our comparison group (Addaction Adult Treatment clients) we focused on comparing success in relation to **one outcome domain: substance misuse**.

In order to make the comparison of Breaking the Cycle clients and Addaction Adult Treatment clients as similar as possible, we had to filter slightly the Breaking the Cycle clients for whom we had assessment data and discharge reason. For example, we omitted clients where the key data used to match the groups was missing. This meant that the comparison was based on **86** Breaking the Cycle service users (including both Unplanned and Planned discharges).

³¹ With or without the client and with or without the child.

³² See discussion in Section 4.5.1

The Adult Treatment comparison group also had to be filtered to select only those **most like** potential Breaking the Cycle clients, including having responsibility for children and being in treatment for a similar length of time to the Breaking the Cycle intervention. We then analysed which **factors at assessment** were statistically significant in **predicting treatment outcomes**. Figure 12 sets out the factors we found to be significant.

Figure 12 Significant factors in predicting treatment outcome

The significant factors were:

- The amount of alcohol consumption in the previous 28 days
- The frequency of opiate and crack usage
- Frequency of paid work (employment) in the previous 28 days
- The treatment episode
 - the number of times a client has presented to Addaction's substance misuse treatment
- The client's age
- Whether the referral organisation was a substance misuse service
 - rather than, for example, Social Services

*Source: analysis of Addaction Adult Treatment data
(1,880 service episodes, between 1 Dec 2013 and 30 May 2014)*

The Breaking the Cycle comparison cohort proved to have statistically significantly **different** demographics from the Adult Treatment comparison group in two ways:

- gender – more likely to be female
 - o Breaking the Cycle - 69% female
 - o Adult Treatment - 40% female
- age – more likely to be younger
 - o Breaking the Cycle - average age 32
 - o Adult Treatment – average age 36

The factors identified in Figure 10 were used in a statistical model to provide a 'propensity score' for a positive treatment outcome. A propensity score is the estimated probability of someone doing something. Our 'propensity score' was an indication of how likely any particular client was to have a positive substance misuse treatment outcome. Despite the different demographics, it transpired that there was **no significant difference** in the distribution of these scores, comparing Breaking the Cycle and Adult Treatment.

In sum, we were able to quantify the differences between the Breaking the Cycle group and the Adult Treatment group and then to control for these statistically when we calculated a comparison between them. The final statistical comparison of successful treatment outcomes (Tables 4 and 5) is therefore a fair one.

Table 4 - Comparing desired outcomes for substance misuse: Breaking the Cycle service versus Addaction's Adult Treatment service (%)

Comparison cohort	Unplanned discharges %	Successful* Planned discharges (%)
Breaking the Cycle (N=86)	27	62
Adult Treatment (N=1880)	29	58

*Note: 'Successful' defined as 'Treatment Complete' with any of the sub-categories of 'alcohol free', 'drug free' or 'occasional user'.

Source: Addaction data, 1 April 2013 to 30 July 2014

Table 4 shows that Breaking the Cycle was **more effective** in achieving Planned discharges with a successful substance misuse treatment outcome than Addaction's adult treatment service. This was a very important finding as it pointed to one possible approach to scaling-up Breaking the Cycle (see Chapter 6, section 6.6.2).

In Table 5, we present the data in a different way. Rather than percentages, we show absolute numbers and we split the cohort in two into alcohol and drugs. The table shows that the Breaking the Cycle comparison group had 29 clients presenting with alcohol problems. Had these clients gone through regular Adult services treatment, our 'propensity score' indicates that we would have expected 17.3 of them to have had successful alcohol treatment outcomes. Having gone through Breaking the Cycle, 22 had successful alcohol treatment outcomes. Likewise, the BtC comparison group had 57 clients presenting with drug or drug and alcohol problems. Had these clients gone through regular Adult services treatment, we would have expected 32.7 of them to have had successful drug treatment outcomes. By going through Breaking the Cycle, 31 had successful drug treatment outcomes.

Table 5 - Comparing desired outcomes for substance misuse: Breaking the Cycle service versus Addaction's adult treatment service - 'alcohol only' versus 'drugs only/drugs and alcohol' (absolute numbers)

Breaking the Cycle Comparison cohort (N=86)	Expected treatment success	Actual treatment success
Alcohol only (N=29)	17.3	22
Drugs/Drugs & alcohol (N=57)	32.7	31

*Note: 'Successful' defined as 'Treatment Complete' with any of the sub-categories of 'alcohol free', 'drug free' or 'occasional user'.

Source: Addaction data, 1 April 2013 to 30 July 2014

Table 5 shows that Breaking the Cycle was **more successful** than Addaction's adult treatment in achieving treatment success for clients that presented with 'alcohol only' as their substance misuse problem. It was a little less successful for clients that presented with drug problems. This helps us to understand that the success of Breaking the Cycle overall (Table 2) is 'driven' by strong success with **'alcohol only' clients**.

This comparison is **limited to one outcome domain**, substance misuse. It shows the **added value of Breaking the Cycle**, especially for service users with 'alcohol only' as their substance misuse presenting issue. We do not have data to be able to compare outcomes in all the other domains about which we collected Breaking the Cycle data (see Figure 4 for a list). What we can say is that, as well as substance misuse treatment, Breaking the Cycle achieved positive outcomes in multiple other domains for the adult service user (Figure 8 above) and for the children in the family (Figure 9 above).

Advice for organisations considering social investment

- New data about the effectiveness of your service can be added to your service description to strengthen your social value proposition (Chapter 3).
- Note that, based on the data in this chapter, Addaction was able to demonstrate to potential commissioners and investors exactly who used the BtC service and the positive outcomes they achieved because of it.

5.4 Chapter summary

In this chapter, we have reported the first set of results from the enhanced evaluation design. The period covered was 1 April 2013 to end of July 2014. The data was sourced from 15 different Breaking the Cycle local services.

Pre-post study

From the pre-post study, we reported on client demographics, service delivery processes, and outcomes. Regarding demographics, of the 209 clients, most were mothers. A 'typical' client would be aged about 33 years, living alone with one or two children of pre-school or primary school age. We reported how the data on client demographics prompted reflection and discussion within the Breaking the Cycle management team. In terms of service delivery processes, the data showed multiple sources of referrals, suggesting multiple potential commissioners of the service. It also highlighted that about a third of referred clients either did not engage or did not engage long enough to be assessed and that a further fifth left the service in an unplanned way. These data prompted internal review of processes and practices to see if more could be done to reduce the number of clients falling in to these two groups.

Outcome data from 97 clients with a planned discharge showed **positive adult outcomes across seven domains**:

- Successful substance misuse treatment – 86%
- Improved mental well-being
 - o Improved psychological health - 75%
 - o Substantial improvement in mental wellbeing – 50%
 - o Reduced anxiety – 81%
 - o Reduced depression – 58%
- Improved parenting self-efficacy
 - o A rise in mean scores on all eight sub-scales
 - o Overall, a large effect size (0.9)
- Reduced offending behaviour
 - o From 36 self-reported incidents at assessment to 6 at discharge
- Reduced domestic violence
 - o From 12 self-reported victims at assessment to 0 at discharge
 - o From 5 self-reported perpetrators at assessment to 0 at discharge
- Appropriate use of health services
 - o From 10 annualised visits to GPs at assessment to 8 at discharge
- Increased purposeful activity
 - o Working or in education more days per month at discharge than at assessment – 14%

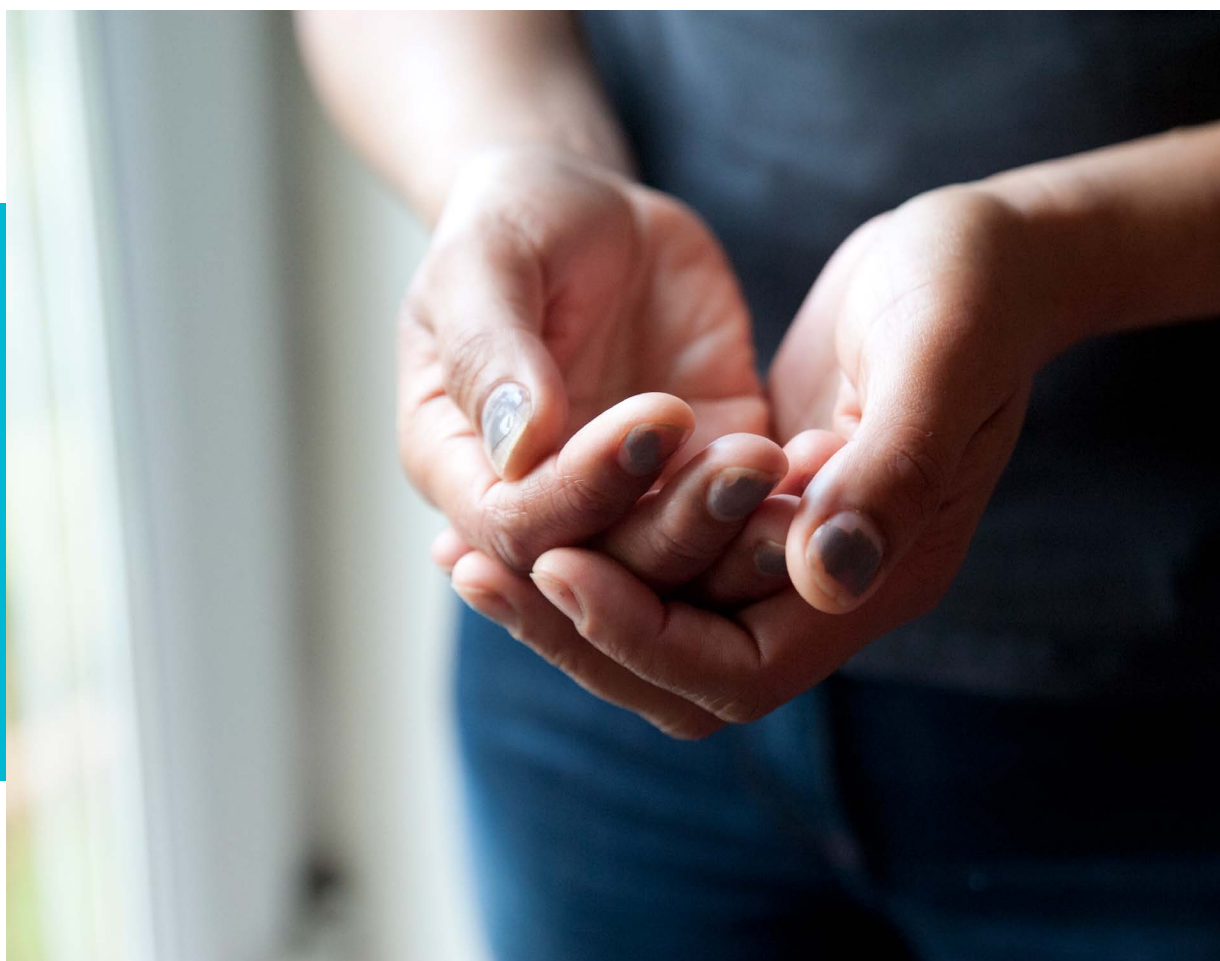
These data also showed **positive child outcomes across four domains:**

- Substantially improved mental well-being – 29%
- Reduced behaviour problems
 - o A rise in mean scores on all four sub-scales
 - o Medium effect size (0.41)
- Improved pro-social behaviour
 - o Medium effect size (0.49)
- Child is safer
 - o 73 of 92 (79%) had shifted down the care hierarchy
 - o 5 of 92 (5%) had shifted up the care hierarchy
- Improved attendance at school
 - o Significant improvements at both primary and secondary school
 - o Reduction in cases of persistent absence from primary school.

Comparison study

We reported that the comparison study focused on one adult outcome domain: substance misuse. The comparison was between BtC service users and Addaction adult treatment service users filtered to be as alike the BtC clients as possible. The statistical analysis took into account six factors at assessment that were statistically significant in predicting treatment outcomes, as well as demographic differences in gender balance and age profile between the two groups to create a fair comparison. The results showed that, **for parents** with substance misuse problems, **Breaking the Cycle was more effective in achieving Planned discharges with a successful treatment outcome than Addaction's adult treatment service.** This result was 'driven' by strong success with clients presenting with **alcohol misuse only** at assessment, as opposed to those with 'alcohol and drugs' or 'drugs only' issues.

In Chapter 6, we share learning from how we used this effectiveness data in developing a business case for scale-up of the service.



6 BUILDING YOUR BUSINESS CASE

6.1 Introduction

In Chapter 5, we reported our findings about the effectiveness of Breaking the Cycle. Evidence of effectiveness of your service is a necessary, but not sufficient, element of the business case for investing in your service. This chapter focuses on the next stage of building a business case which is to explore to what extent, if any, the costs of your service are outweighed by the benefits. In the context of seeking to use social investment to scale-up your service, this means focusing on the economic benefits.

In this chapter, we share the learning from the work we did to build an **economically-justified** business case for scaling up Breaking the Cycle. We were very aware that, with potential for a social impact bond at the end, we had to focus on (a) costs incurred if Breaking the Cycle were **scaled up** and (b) benefits defined as **actual savings to the public purse**, rather than broader benefits to society.

We set out:

- What a business case is
- The methodology we used for the cost-benefit analysis
- The challenges we faced and how we dealt with these

6.2 What is a business case?

A business case is simply a planning tool. It is a written document that sets out the rationale for a proposed project in order that strategic decisions may be taken as to whether to go ahead with the project or not. Depending on the stage of development of the project, the type of business case will differ. In our case, we aimed to make an economic case for scaling-up Breaking the Cycle, based on actual savings to the public purse from the outcomes achieved for adults and children (see Chapter 1, section 1.6). This meant using **a cost-benefit analysis** to inform the economic business case.

Cost-benefit analysis is **a specific methodology** for robustly weighing up costs and benefits. Because we were interested in benefits to the public sector, the methodology we adopted for the cost-benefit analysis in the business case was informed by HM Treasury guidance.

Advice for organisations considering social investment

- There are many resources available to support you developing a business case. Examples include:
 - o [Making an Early Intervention Business Case](#) (EIF, March 2014),
 - o [Public sector business cases using the five case model](#) (HM Treasury, 2013)
 - o [Write a Business Plan](#)
- For an economic business case i.e. a cost-benefit analysis, work with an economist or someone well-versed in the world of finance. That specialist knowledge will mean that ‘lay’ errors are avoided and that your cost-benefit analysis is robust.
- There are charitable organisations, such as [Pro Bono Economics](#) that make available the expertise of economists to VCSE sector organisations.
- Cost-benefit analysis in the public sector is guided by HM Treasury’s [Green Book](#) which sets out the process and standards expected.
 - o A more accessible guide is [Supporting public service transformation: cost benefit analysis guidance for local partnerships](#) (HM Treasury, Public Service Transformation Network, new economy, 2014)
- Other organisations have also produced accessible guidance based on the Green Book. Examples include:
 - o The EIF’s [Checklist and recommendations for cost-benefit analysis](#) (2014)
 - o NFER/RiP guidance, [An Introduction to Cost-Benefit Analysis \(Guide\)](#) (Easton, C, MacLeod, S., Worth, J, 2013)
 - o The Cabinet Office’s [Guide to Social Return on Investment](#) (SROI)

The guide focuses on social, rather than financial, returns on investment but the methodology is very similar to cost-benefit analysis and so can act as a useful introduction to non-economists. (The differences between the two approaches are set out in an appendix to the Guide.)

In this chapter, we do not report the detail of the cost-benefit analysis conducted for the proposed scale-up of Addaction’s Breaking the Cycle service. Rather, we draw on it to illustrate the process of doing a cost-benefit analysis, the challenges that entailed and the decisions we took about addressing these challenges.

6.3 Understanding the costs of your service

In order to prepare a business case for scale-up, you need to understand the drivers of costs in your existing service. You then need to take into account what happens to these costs when your service is scaled-up to the desired level. The assumptions you make about the level of the proposed scale-up need to be transparent.

6.3.1 Modelling the scale-up

In order to assess costs involved in scaling up Breaking the Cycle, we first had to set out parameters for that scale-up. Our parameters were based on data from existing sites where that existed; where it didn't, we made estimates informed by Addaction staff, including Breaking the Cycle workers' knowledge and experience shared during interviews. The most important estimate we made in this context was what a 'national scale-up' would mean. Addaction's stated ambition for Breaking the Cycle is to have a presence in every English local authority. For the purposes of the business case, we used a less ambitious aim of scaling-up to operate in 80 sites (there are 152 LAs). We also made a working assumption that the scale-up would happen over three years. Figure 13 sets out the list of parameters we considered and states whether or not we were able to base this on data or on estimates. (To preserve Addaction's business confidentiality, we do not share the numbers placed against each parameter.)

Figure 13 Parameters considered in relation to proposed scale-up

Parameter taken into account	Based on:
Number of workers per site	Typical practice in existing sites
Ratio of workers to team leaders	Internal data
Team leader to manager ratio	Internal data
Proportion of referrals that were not assessed	New data gathered during this project
Time spent pre-assessment (days)	Estimated, based on worker views
Time client active for (days)	New data gathered during this project
Hours per week spent on/with each client	Initially estimated, then from data gathered during project
Hours per day worked	Internal data
Days worked per year (accounting for holidays & absence)	Internal data
Worker operating capacity	Estimated, based on worker views

On the basis of the relevant parameters (from the list set out in Figure 13), we then calculated:

- Number of days' work generated by each referral
- Number of days' work generated by each assessed client
- Number of referrals per year for which each worker had capacity.

We then had to work out the cost of each of those referrals.

6.3.2 The range of costs that need to be considered

In calculating costs for scaling-up a service, first you need to understand existing costs of the service, including fixed costs, variable costs, average costs per site. It's also helpful to think about marginal costs (Figure 14).

Figure 14 Cost types

Cost type	Definition
Fixed costs	These are incurred even if no service is delivered e.g. office, equipment, lighting, heating
Variable costs	These change depending on how much service is delivered e.g. costs of employing and paying staff (labour costs)
Average unit costs	Unit costs are the total cost (fixed plus variable costs), divided by the number of clients referred. This can be calculated for each site. Average unit costs are reached by doing the same calculation across all the service sites.
Marginal costs	This is the cost of adding in one more 'thing' e.g. the cost of adding one more client, or the cost of adding one more outcome target to the work.
Set-up costs	All the costs incurred in order to set up a new site. It includes everything necessary to be ready to begin delivering the service, including office costs, costs of recruiting and training new staff costs, costs of training materials, of setting up data systems et cetera.
Running costs	All the costs involved in operating the service (usually calculated on an annual basis), including office costs, labour costs, travel costs et cetera.

Figure 15 lists the costs we took into account in order to calculate **an average unit cost per referral** for the proposed scale-up of Breaking the Cycle. Again, we do not divulge the actual costs for reasons of business confidentiality.

Figure 15 Costs taken into account

A. Set-up costs included	
Recruiting and training staff	Enhancing service model in light of learning from evaluation and developing associated training materials
Setting up new offices	Enhanced data systems
Extending existing offices	Cost of delivering training
B. Annual running costs included	
Office costs	Staff costs (salary, pension, employer's National Insurance costs, IT, ongoing training)
Travel costs	Travel to and from clients' homes
Evaluation costs	External evaluator staff costs
Organisational support costs (support, senior leadership, insurance, legal, finance)	

Why we calculated cost per referral, not cost per assessed client

We focus on the cost per referral, rather than the cost per assessed client in order to avoid underestimating costs. Investors want to be sure that the value of any outcomes achieved, and paid for, are not being artificially inflated by ‘**creaming**’ referrals that were more likely to have successful outcomes whilst ‘**parking**’ those that are harder to support or less likely to have positive outcomes. Our costs (and benefits) ‘population’ therefore had to be all those referred to the service. (Creaming and parking have been highlighted as rational responses to payment by results contracts. ‘Creaming’ means focusing effort on clients likely to achieve the outcomes paid for, whilst ‘parking’ means doing little for, or simply referring on to another service, clients less likely to achieve these outcomes).³³

Advice for organisations considering social investment

- Note that calculating costs is an important part of the cost-benefit analysis necessary for the business case. Organisations vary in the data maintained on costs. The more internal costs data there is, the fewer items have to be estimated and the greater the accuracy of the analysis.
- Whether or not a persuasive business case can be made for a proposed scale-up, taking time to calculating costs in a systematic way, such as the way outlined here, enables your organisation to price your service realistically in relation to costs. (Of course, price is also affected by other factors, such as views on profit and the prices charged by market competitors but costs are a key element of price and therefore worth knowing.)
- When calculating costs, include everything: set-up costs, annual running costs, fixed costs and variable costs. Use cost per referral as the unit cost.
- Don’t be distracted by trying to get precise numbers for small costs: when you have finished, you will easily be able to see the most significant drivers of cost. These are the areas where you should focus your efforts in getting more accurate numbers.

Calculating costs is one side of the cost-benefit analysis process. The other is calculating benefits.

³³ For example, see Civil Society Finance online article [here](#) (2013) and a Third Sector Research Centre [Briefing paper](#) that discusses this ‘gaming’ in the Work Programme.

6.4 Understanding the benefits of your service

There are three parts to understanding the benefits of your service:

- Defining the benefits (outcomes)
- The count or size of the benefits (number of outcomes)
- What each was 'worth' (value of each outcome)

We illustrate this by sharing what we did in order to understand the benefits of Breaking the Cycle. As with the costs, understanding the benefits of Breaking the Cycle was **an iterative process**. For the first iteration, we had to use existing data and knowledge and make best estimates for what was unknown. Later, when we had enhanced data from clients who had taken part in Breaking the Cycle, we were able to do a second, more accurate iteration of the process.

6.4.1 Understanding the benefits: the first iteration

When we started the work, there wasn't sufficient data on outcomes for us to reach an evidence-based understanding of the service benefits (Chapter 4, section 4.3). Our first task was to list the outcomes for which there was pre-existing evaluation data; we checked out the logic model for these outcome areas during interviews with Breaking the Cycle workers and other Addaction staff knowledgeable about the service. One of our main concerns was the absence from that list of important potential outcomes from Breaking the Cycle that addressed **problems paid for by the public sector**. We therefore added in to the pre-existing data collection framework potential adult outcomes in relation to expensive social problems such as crime, domestic violence, over- or inappropriate use of health services, and unemployment. For children, we added in data collection about school truancy (as an established predictor of low educational attainment and therefore of unemployment), child protection status, anti-social behaviour and youth offending. Our hypothesis (logic model) was that the Breaking the Cycle service inputs could potentially lead to positive outcomes in relation to these domains; and that such outcomes would create potential benefits from an economic perspective.

Having identified potential economic outcomes, we then estimated the number of outcomes likely to be achieved as a result of Breaking the Cycle. We did this based on discussions with knowledgeable Addaction staff. Finally (for this first iteration), we conducted a preliminary literature review to determine what the cost-savings/avoidances might be for each outcome to the public purse. We used this preliminary benefits analysis to refine the outcome domains about which we collected data.

6.4.2 Understanding the benefits: the second iteration

Once we had collected the revised set of data from clients who had received Breaking the Cycle, we were able to do a second iteration of the benefits analysis. This time we were able to use our data to establish, statistically, how many outcomes of each type might be achievable in a hypothesised scale-up to 80 sites. By this stage, the Cabinet Office had published (2014) a [Unit Cost Database](#) which we were also able to use, in addition to our own literature review, to determine cost savings/cost avoidances. We included assumptions about savings related to economies of scale.

6.5 Cost-benefit analysis

In cost-benefit analysis, the **value of the outcome has to be adjusted downwards** to take into account other factors affecting the overall economic worth of the benefit. Figure 16 summarises these factors.

Figure 16 Adjustment factors affecting worth of outcomes

Technical term	Definition - and example from case study
Displacement	<p>The amount by which the outcome achieved simply displaced another outcome that would have been achieved anyway.</p> <ul style="list-style-type: none"> E.g. the amount by which Breaking the Cycle substance misuse outcomes displaced adult treatment substance misuse outcomes.
Deadweight	<p>The amount of an outcome that would have happened anyway, even without the service.</p> <ul style="list-style-type: none"> E.g. the number of clients who would have become abstinent without Breaking the Cycle
Attribution	<p>The amount of the outcome that has to be attributed to other services who contributed towards it.</p> <ul style="list-style-type: none"> E.g. the amount by which other services working with the same families contributed to the outcomes measured by Breaking the Cycle
Drop-off	<p>The amount by which an achieved outcome reduces over time (beyond the period measured)</p> <ul style="list-style-type: none"> E.g. the amount by which improvements in parenting self-efficacy reduces after discharge from Breaking the Cycle
Discount over time	<p>The interest rate used to discount future cost and benefits to present value (i.e. current prices). In the public sector, HM Treasury guidance recommends a discount rate of 3.5%.</p> <ul style="list-style-type: none"> E.g. in the proposed scale-up, we considered a three-year period so discount would apply to costs and benefits in Year 2 and Year 3.

Each of the factors in Figure 16 is most often assigned a value based on a best estimate or, in the case of the discount rate, on accepted guidance in the sector. The end result is therefore also an estimate. To allow for the range of plausible estimates, it is good practice to subject the final cost-benefit analysis to **sensitivity analysis**. This means that the calculation of benefit-cost ratio is repeated with reasonable changes made to the estimates, paying particular attention to those that produce the biggest proportions of the overall value. For example, if the estimate for attribution of substance misuse outcome to Breaking the Cycle was 90% and the estimate for change in child protection status was 50%, then the sensitivity analysis might, for example, explore what the benefit-cost ratio would be if these estimates were changed respectively to 85% or 95% (substance misuse) and to 45% or 55% (child protection). The analyst usually chooses the benefit-cost ratio deemed most plausible and gives reasons for doing so, but also presents the alternative ratios produced by the sensitivity analysis.

Key learning about necessary adjustments affecting worth of outcomes

- In cost-benefit analysis the financial worth of an outcome has to be adjusted downwards to allow for displacement, deadweight, attribution, drop-off and discounting over time.
- A very loose, everyday analogy would be your monthly salary (the financial value of your labour) having to be adjusted downwards to take into account tax and national insurance payments resulting in your take-home pay (the financial benefit to you of your labour) being a lower figure.
- These adjustments can result in a very large reduction in the initial worth.
- As with the costs, it is reasonable to make initial estimates in order to focus effort on refining the most important benefit numbers.
- As these adjustment amounts are usually based on best estimates, they are subjected to sensitivity analysis. As a result, a final benefit-cost ratio is usually given within a specified range of accuracy.
- For example, a benefit-cost ratio might be given as: '1.05:1, in a range from -05:1 to 1.10:1, depending on the values given to estimates within the analysis'.

In Figure 17, we summarise the cost-benefit analysis process.

Figure 17 Summary of cost-benefit analysis

Cost	Total cost ÷ Number of referrals = Unit cost
Benefit	Number of referrals × % with Planned Discharge × (% who achieved outcome - % who would have done so without the service) × (cost avoided - % cost avoided because of other interventions) = Benefit. Adjusted benefit also allows for drop-off over time and discounting to present value.
Benefit-cost ratio	Adjusted benefit per unit ÷ Unit cost OR Adjusted benefit ÷ Total cost

6.6 Dealing with the challenges of adjusting the benefits

The processes involved in adjusting benefits to take account of other relevant factors, which is a key part of cost-benefit analysis, can be challenging. We share here our learning from going through this process.

6.6.1 Displacement and deadweight

Trying to establish what outcomes would have been achieved by clients and their children without Breaking the Cycle was a major challenge. Ideally, we would have had a randomised control group; however, this proved not to be feasible (see Chapter 4, section 4.5.1). We sought to address this in two ways: by analysing data collected by Addaction on TOP Plus forms for adult service clients, and by consulting existing literature.

6.6.2 Attribution

As touched on in Chapter 4, section 4.6, from the start, we were aware that it would be impossible to attribute all the measured outcomes for clients as arising from Breaking the Cycle alone. The intervention, by its very nature, meant that other services were also supporting families concurrently: in addition to direct work with families, part of Breaking the Cycle's remit was to support families to engage with services that could help them. Despite our efforts, the best control group we could achieve (adult treatment for parents as like as possible to Breaking the Cycle clients) could not answer all the questions of attribution. We discussed the question of attribution in interviews with Breaking the Cycle commissioners, workers and concurrent service providers. Everyone understood the concept and recognised that it was impossible to assess accurately. Estimates by concurrent service providers as to how much of a relevant outcome achieved could be attributed to Breaking the Cycle as opposed to their own service varied widely. In the end, we simply had to make a best estimate in the light of what we knew about how Breaking the Cycle worked on the ground. For example, we made the highest attributions to Breaking the Cycle for outcomes related to direct work (such as reduced substance misuse), lower attributions for outcomes relating to work done with other services (such as reductions in child protection status where the work was done alongside social services) and the lowest attributions for outcomes relating to work mainly done by other services (such as dealing with debt). We also took account of the views of concurrent service providers. In the case of reduced child protection status, the role attributed to Breaking the Cycle by social services representatives interviewed was seen as crucial: they viewed it as an otherwise missing piece without which the outcome of reduced child protection status could not be achieved.

Figure 18 gives some examples of our attribution rationales.

Figure 18 Examples of our attribution rationales

Outcome	Rationale
Reduced substance misuse	Clearly arose from direct work with client by Breaking the Cycle workers who had unique expertise in this area that other workers did not have
Improved mental well-being	Largely arose from direct work with client by Breaking the Cycle but some also attributable to GPs, for example
Improved school attendance	Largely arose from direct Breaking the Cycle work with the client on family functioning and daily routines – but some may have been attributable to work by the school and/or attendance officer
Reduced child protection status	Social services played a large part but Breaking the Cycle support added a crucial, previously missing, piece that enabled positive change

6.6.3 Drop-off and discount over time

In our case study, a major issue was that there were no systematically-collected quantitative longitudinal data about what happened to Breaking the Cycle clients after discharge from the service. We had no data on the extent to which outcomes were maintained after discharge; nor for how long any impact lasted. (Towards the end of our work, a separate research project sought to examine effects over time of Breaking the Cycle from former clients' perspectives³⁴. The results were illustrative of the types of long-term benefits that could be achieved in the lives of some clients. Because the sample was self-selecting, we could not use these data to make claims about the likely scale of potential long-term benefits across all clients.)

6.6.4 Adjusting the benefits

Faced with a large number of factors for which we had either limited information, or purely qualitative data, we decided to take a pragmatic approach: we would use simple, plausible estimates, and then seek to refine those that seemed most important. So, for example, we took the annual “cost” of Adult Alcohol Misuse to the PCT/CCG, and estimated that we might receive 50% of this for two years. Where we had data on existing results payments being made, or our literature search turned up estimates of deadweight, we used these to inform our estimates. Figure 19 illustrates our initial estimates of potential payments for positive results in **selected** outcome domains. Our estimates were informed by, among others, the Department of Work and Pension's Innovation Fund, and by existing payment-by-results contracts held by Addaction. (In Figure 19, the ‘assumed one-off payment for outcome’ sometimes differs from the ‘savings value’ because of this.)

34 Moss, C., Russell, C., Stephenson, M., Vanstone, T., Velleman, R., Wood, N. (2014). [Breaking the Cycle: Follow-up Study. Preliminary Report](#). London: Addaction

Figure 19 Some examples of savings to public purse versus likely payments in a PbR contract (initial estimate)

Outcome	Savings value	Frequency of saving	To which part of public sector	Unit Cost Database reference	Assumed one-off payment for outcome (PbR)
Adult alcohol misuse	£1962	Per year	Health: PCT/CCG	HE1.0	£1962
Adult drug misuse	£2664	Per year	Health: Acute Trust/ hospital	HE2.2	£2664
Adult mental health	£956	Per year	Health: PCT/CCG	HE11	£669
Domestic violence	£100	Per incident	Health: PCT/CCG	Elements of CR2.0.1	£50
Domestic violence	£2766	Per incident involving A&E	Health: PCT/CCG	CR2.0	£1383

Source: internal project working paper

6.7 Effect of the benefit-cost ratio on the business case for social investment in scale-up

6.7.1 Benefit-cost ratio was positive

The benefit-cost ratio is a critical part of the economic case for deciding whether or not to go ahead with a proposed business plan. In our case, the proposed plan was to seek social investment, probably in the form of a social impact bond, to fund the scaling-up of Breaking the Cycle to 80 sites around England.

In our case study, the benefit-cost ratio was positive: 1.21:1. That is, our estimate of the payable **economic benefits** to the public purse was £1.21 for every £1 spent. This estimate did not include any potential payment for long-term outcomes, as we did not have evidence to justify these. This was a positive finding. It showed that Breaking the Cycle made a positive contribution to reducing the overall cost to the public purse of tackling the consequences of parental substance misuse. However, we emphasise that there was **a high degree of uncertainty in this number, £1.21**, because the bulk of it (0.93p) was associated with relative improvements in child protection status – the outcome area for which we had the highest degree of uncertainty in terms of attribution and counterfactual.

6.7.2 Original plan not feasible at time

Even if our estimate of a return of £1.21 for every £1 spent were accepted as certain, the **size** of the economic benefit (4.8%³⁵) was not, in our view, sufficiently large to be attractive to investors in any proposed social impact bond based on the cost-benefit analysis for a scale-up of BtC to 80 sites. The economic business case was not strong enough to recommend this course of action at this stage. This was a disappointing finding, given the aim of the project had been geared towards developing a bond for this purpose. **Over time**, if year on year data confirms our findings of positive economic outcomes and if longitudinal data were to be gathered that showed lasting impact, our view is that **pursuing a social impact bond may well become a viable option**, especially if the costs of creating a social impact bond also reduce. At the time of the research [2014], however, the cost-benefit analysis supported other options.

6.7.3 Alternative options

Once we realised that a social impact bond was not immediately feasible, we used the research data to support arguments for three possible alternative options to secure the sustainability and development of Breaking the Cycle:

- Local commissioning of Breaking the Cycle, supported by the evidence base of **social** and economic benefits presented here
- A payment-by-results contract, supported by a social impact bond, to provide Breaking the Cycle to parents who would otherwise only receive adult treatment
- A spot/block-purchase contract, supported by social investment in the form of a loan or quasi-equity, to provide Breaking the Cycle nationally.

These are discussed in turn.

Local commissioning of Breaking the Cycle, supported by enhanced evidence base
The option to seek more widespread local commissioning of Breaking the Cycle is supported by drawing on the evidence of **social** as well as economic benefits of Breaking the Cycle. Under the **Public Services (Social Value) Act 2012**, local commissioners are required to make commissioning decisions based on immediate and long term **social, economic and environmental benefits** for their communities

³⁵ The size of return that would make a SIB feasible is context-specific. For example, after our study ended, social investment tax relief was introduced which would affect the size of returns. A return of 6.5% was the minimum required by one social investment organisation.

For this research, our remit excluded social returns on investment. Hence, the cost-benefit analysis presented only included outcomes that we knew to have an economic value. It did not include the socially positive outcomes summarised in Chapter 5, Figures 10 and 11 for which there was no [2014] economic value in terms of purchasers being willing to pay for them in PbR contracts³⁶:

- Reduced domestic violence (perpetrators and victims)
- Reduced use of health services (visits to GP)
- Increased purposeful activity (education, employment, training)
- Improved parenting self-efficacy
- Reduced child behaviour problems.

These positive social outcomes ought to be of interest to local commissioners; and we had evidence from qualitative interviews with a small sample of commissioners to show that indeed these were viewed as attractive outcomes. In our view, the evidence presented in this report of the social and economic benefits of Breaking the Cycle makes a compelling case for widespread local commissioning of Breaking the Cycle. Social investment would not be required for this option.

However, if local commissioners were shown to be willing to pay for the social, as well as the economic, impacts of Breaking the Cycle, then this could increase the attractiveness of the value proposition to social investors too. Social investment could then support Addaction to cover the up-front costs of negotiating with local commissioners and of setting up new teams of workers to deliver Breaking the Cycle.

There were two further alternative options to support the scale-up of Breaking the Cycle for which the purely **economic** business case was stronger than that for a social impact bond to support scaling up to 80 sites nationally:

³⁶ It is interesting that central government is moving towards offering a standard price for specified outcomes delivered for a targeted audience. This approach should help services like Breaking the Cycle by reducing one area of complexity (pricing of outcomes) when make a business case to commissioners.

A payment by results contract supported by a social impact bond

The strongest economic business case could be made for a **payment-by-results contract, potentially supported by a social impact bond**, to provide Breaking the Cycle as an optional extra in areas where Addaction's regular adult treatment service is (or will be) running. In this 'incremental model', public sector commissioners in Children's Services could be approached as potential purchasers of the **incremental** cost of providing Breaking the Cycle rather than adult treatment to these parents. This would be based on our evidence of the positive outcomes for children (See chapter 5, section 5.3). Most of the economic (payable) benefits from Breaking the Cycle are **child-related** yet the costs of the service are not much greater than adult treatment. Moreover, almost all of the savings from child-related benefits accrue to the Local Authority, meaning that it would not be necessary to negotiate a complex contract with multiple commissioners in any one area.

There are different ways the social investors could be involved: most simply, to cover the working capital needs between delivering services under BtC and receiving (expected) results payments from Children's Services. A more complex way would be for the social investors also to finance the programme of work of marketing the 'incremental model' to Children's Services.

A spot (or block)-purchase contract supported by a loan or quasi-equity

The cost-benefit analysis was strong enough to support a 'spot-purchase' model. In this model, Addaction would define Breaking the Cycle as a product that could be spot-purchased nationally. This would demand a determined marketing push similar to a business start-up.

This model requires flexible capacity to deliver. It might entail, for example, Addaction manualising its Breaking the Cycle programme and training and, in areas without an Addaction presence, franchising its delivery to other VCSE sector organisations with local knowledge and capacity. The outcomes data would be used to support the marketing effort and could also form the basis of a contract that included some degree of payment-by-results. The social investment, in the form of a loan or quasi-equity (see Chapter 1, section 1.2), would pay the upfront costs of marketing and preparation for delivering at scale.

6.7.4 Provider perspective on putting these options in to practice

Both of the alternative funding models suggested provided Addaction with opportunities to expand the reach of Breaking the Cycle. However, there remained questions that meant that, at time of publication, Addaction was not in a position to take either forward. We discuss the issues in relation to each option in turn; first, we raise two practical issues that are generic to a payment-by-results approach.

Generic payment-by-results issues

- The generic issue of attribution is acute in this context. Breaking the Cycle does not work in a vacuum; its best successes are achieved working in tandem with Children's Services and others. How far can Addaction claim that changes in safeguarding need are directly related to Breaking the Cycle's intervention?

- Addaction was also concerned that introducing attribution of outcomes achieved, and attaching money to this, has the potential to disrupt interagency relationships and impact negatively on the support families receive. If Addaction claimed that BtC achieved a change in safeguarding need and should therefore be paid a given amount of money for that achievement, other agencies would argue, rightly, that they had also been involved in achieving the change. Currently, agencies are financed through contracts with the acknowledgement that they will work together in whichever way meets a family's particular needs, with joint working and shared resources. Addaction was reluctant to allow a full payment-by-results approach to introduce an element of financial competition amongst agencies into this way of working. On the other hand, Addaction acknowledged that there are examples of existing SIBs – for example the [London Rough Sleeping SIB](#) – which has taken account of multi-agency work with clients.

Payment by results model supported by a SIB (incremental model)

A funding model in which Addaction as provider would require Children's Services to be, 'purchasers of the incremental cost of providing Breaking the Cycle rather than adult treatment', requires that Addaction would need to put a price on the benefits that BtC creates for this part of a local authority. This raises several challenges, from the Addaction perspective:

- Existing Public Health commissioning frequently already includes a requirement for the provider to deliver support to parents. (An increasing number of service specifications for substance misuse treatment and recovery services require the provider to deliver support for parents, with an aim of creating better outcomes for their children.) The message that Breaking the Cycle would provide even better outcomes for children would be challenging from a marketing perspective.
- Breaking the Cycle teams have been financed by Children and Family Services and by Troubled Families: there are Breaking the Cycle staff who are co-located with Children's Services and Early Intervention teams. This suggests that there could be various funding sources for Breaking the Cycle under the 'Children's Services' banner. As each Local Authority configures these functions differently, a substantial piece of work would be needed to understand where BtC could fit in each area. Addaction would need to develop bespoke versions of the business cases to show how BtC can contribute variously to Children's Services, Early Intervention and/or Troubled Families targets and KPIs. Addaction would also need to understand the capacity of each part of local authority family support functions to purchase family support above and beyond their own teams and existing contracted services.
- It is plausible that additional work to quantify the benefits of Breaking the Cycle for Children's Services versus standard Addaction treatment would be needed: in our research we discovered that longitudinal data on changes in child protection status is hard to come by, and differs significantly from one Local Authority to the next. This would pose significant challenges in refining the claimed impact on child protection, not only in terms of measurement and attribution, but also in even working out a baseline.

Spot/block purchase contract, supported by a loan or quasi equity

A nationally available spot- or block-purchase model could provide the opportunity for expanding the reach of Breaking the Cycle. It would enable Addaction to respond quickly to needs across local authority areas, opening up funding streams beyond the boundaries of its existing contracts. As an organisation with very little unrestricted income, raising social investment to pay for the upfront costs of marketing the service and setting up a national team would enable Addaction to set up a model like this.

However, there are a significant number of challenges related to this kind of contracting, both in terms of providing support to families and managing financial risk, making it less likely to be something that Addaction would take forward.

- Families can come back to Breaking the Cycle whenever they need to. For example, if a parent is losing motivation or worried that they are about to relapse, they can contact their BtC service for support and advice. This relapse prevention work would be more difficult to deliver through a peripatetic service. While a helpline could be provided (costs of which would need to be included in the unit price), parents are likely to want to speak to the worker who helped them previously. That worker could be in another part of the country and unavailable to conduct the home visits that are valued by families. On the other hand, this is a problem that diminishes with scale; if the national roll-out were a success, there would be enough workers, geographically dispersed, to be able to cope with this. Based on prevalence and costs of relapse prevention work, Addaction could work out average costs and price this in to the model (just as this work is priced in to existing BtC contracts).
- A significant factor in the success of Breaking the Cycle is the strong relationships that the workers build with Social Services teams, housing departments, domestic violence organisations and other local agencies to provide integrated support according to each family's needs. These relationships require time to develop and be embedded into practice. If BtC were to deliver its support in an area on an ad hoc basis (as needed, or as and when the funder can afford to pay for it), building and maintaining these relationships could be difficult. If personnel, processes and procedures change over time, the BtC worker may need to 'relearn' these every time they are working in a locality. On the other hand, this issue arises for many organisations that work under framework agreements. Again, the problem diminishes at scale once there are enough workers based across the country to cope with this.

- Addaction would need to put significant resources into analysing the market, preparing a business case, and developing a pricing schedule and outcomes payment model – all in the context of trying to win business from multiple potential funding streams (Public Health, Children’s Services, Early Intervention teams and Troubled Families) across multiple local authorities. This activity would need to be continued; it is not a one-off set up cost. Even though social investment would cover the costs of this expenditure, the ‘unit price’ per family would need to increase from the current BtC unit price to recoup costs (in addition to recouping the costs of seeking social investors and providing a financial return to those investors). From a provider perspective, the concern is that the level of price increase may make BtC less attractive to potential purchasers. The additional costs required to be recouped through increased price would require analysis, bearing in mind that there would be cost offsets from economies of scale.

In summary, scale is required to make a spot-purchase model truly workable, based on BtC teams located across all the regions. Gaining social investment and going for a full-fledged national roll-out would require a carefully planned, well managed pilot. Building up from existing teams to a scale that met local need across whole local authorities/geographic areas would be one way forward.

6.8 A strong business case is more than the cost-benefit analysis

According to HM Treasury guidance³⁷, a strong business case not only includes the economic case for the proposed activity but also the strategic, commercial, financial and management case. To illustrate this, Figure 20 provides a very brief summary of this for Breaking the Cycle.

Figure 20 Five-part business case: summary illustration³⁸

Business case element	Summary
Strategic case	Strong case for change in that a viable alternative to grant funding was required to support strategic ambitions to scale-up delivery in a context of public sector austerity.
Economic case	Positive cost-benefit analysis.
Commercial case	Original plan for scale-up replaced by two options relating to procurement and contractual steps to delivery: a payment-by –results contract or a spot-purchase contract.
Financial case	Both of the commercial case options could be financially supported by social investment: a social impact bond in the payment-by-results option and a loan or quasi-equity in the spot-purchase option.
Management case	Project delivery, governance and management arrangements for either option would be set out in a project manual to support fidelity of delivery.

³⁷ [Public sector business cases using the five case model \(HM Treasury, 2013\)](#)

³⁸ Figure inspired by EIF’s [Making an early intervention business case: what should it look like](#), which in turn was informed by the Treasury document referred to in Footnote 45.

6.9 Chapter summary

In this chapter, we shared the learning from the work we did to build an economically-justified business case for scaling up Breaking the Cycle. By economically-justified, we mean based on actual savings to the public purse, rather than broader benefits to society. We used a cost-benefit analysis to do this. The chapter covered what needs to be taken into account to understand the costs of scaling-up your service: that is, clarity about the parameters for scale-up; the range of cost types included in calculating an average unit cost per referral to the proposed scaled-up service; and the rationale for using costs per referral and not costs per assessed client. In terms of understanding the benefits of your service, the chapter described defining the outcomes, in particular, the economic (as opposed to social) outcomes, working out how many or how much of these outcomes would be achieved in the proposed scaled-up service, and working out how much money would be paid in return for this. We noted that the process of understanding the benefits was an iterative one, where greater accuracy would be achieved as more and better data became available from existing clients. We then explained that, in cost-benefit analysis, the value of outcomes has to be adjusted downwards to take into account other factors affecting the overall economic worth of the benefit. These factors are known as: displacement, deadweight, attribution, drop-off, and discount over time. These adjustments mean that the end result is an estimate. We explained that, to allow for the range of plausible estimates, it is good practice to subject the final benefit-cost ratio to sensitivity analysis. We shared our learning from going through the process of adjusting the benefits, setting out how we approached the challenge.

Based on the cost-benefit analysis conducted, our positive finding was that the proposed scale-up of Breaking the Cycle would create economic benefits to the public purse greater than the costs of providing the service. (In addition, there would also be social benefits.) The down-side was that the size of the economic benefit would not be large enough to attract investors to a social impact bond. It was disappointing that the economic business case was not sufficiently strong to be able to recommend the development of a SIB at this stage. Instead, we suggested two possible alternative ways of funding scale-up of Breaking the Cycle: **a payment-by-results contract supported by a SIB** to provide Breaking the Cycle to parents who would otherwise only receive adult treatment; or **a spot/block-purchase contract, supported by social investment in the form of a loan or quasi-equity**, to provide Breaking the Cycle nationally. We reviewed the pros and cons of these from Addaction's perspective as a provider. Finally, we concluded by reiterating HM Treasury guidance that a strong business case is about more than the economic case: it must also include the strategic, commercial, financial and management cases. We provided a brief summary of what a strong business case would include, using Breaking the Cycle to illustrate this.

7 COMMISSIONING A SCALED-UP SERVICE

7.1 Introduction

In this chapter, the focus shifts to the **commissioner perspective: the commercial case for scaling-up your service**. In a social impact bond or other social investment arrangement, the commissioner is known as the '**purchaser**' of the service. The commissioner/purchaser role is fundamental: without those who want to buy the service, there can be no social investment deal.

In our case study, the target purchasers of Breaking the Cycle are **public sector commissioners**. As noted in Chapter 1, section 1.2, public sector commissioners are mainly focused on value for money outcomes for people for whom there is a statutory responsibility to provide services. We share our learning from interviews with 12 public sector commissioners in three very different local authorities³⁹ and with a small number of senior officers from other local authorities interested or active in the social investment arena, complemented by the views of representatives of existing grant funders of Breaking the Cycle, and our own analysis of the commissioner landscape in relation to social investment.

We briefly set out our learning about:

- The commissioner landscape
- Commissioner readiness for social investment

Then we present:

- An environmental analysis of social investment from a local authority commissioning perspective.

7.2 The commissioner (purchaser) landscape

There are two key pressures on the function of commissioning in English local authorities: austerity and integration.

7.2.1 Austerity

Financial cutbacks, austerity and reductions are realities as local authorities reduce staff numbers, cut or consolidate services and look for unusual ways to remain viable. Commissioning continues to be mired in **a short term perspective** whereby local authorities need to be showing how they are working within current budgets and reducing costs of various services, increasingly leading to de-commissioning of services. Where authorities will have lost one-third of their budgets by 2015⁴⁰ even statutory services are being looked at for changes.

³⁹ [A metropolitan borough council \(Labour\), a two-tier county council \(Conservative\) and a unitary authority \(Liberal Democrat/Independent coalition\).](#)

⁴⁰ [Article in The Guardian, dated 25.3.2015.](#)

We know that 25% fewer people have access to publicly financed social care than at the time of the 2010 election⁴¹ so there is desperate need to restructure services to maintain the integrity of public services themselves. It has now gone beyond 'streamlining' services as local authorities look at where they can decommission services and get out of particular areas of service delivery.

- In this context, the idea of finding and shaping particular service recipient groups and applying targeted services to them, financed in new ways, with evidenced social outcomes including cost savings, is **highly attractive**.

7.2.2 Integration

The second key pressure on public sector commissioners is the push towards integration.

Integration is about health and social services not just working together but also collaborating in a practical way to design and deliver services in a way that will most benefit an individual. There is a fundamental financial incentive to integration based on the idea that pooled budgets and shifting institutional responsibilities, for example from health to social care, will save money, and improve services. This is not a new idea; collaboration and partnership has been at the nexus of public management in England for many years. However, the extent to which integration is being suggested does represent a fundamental change in how services will be paid for and delivered.

The 2014 [Barker Report](#) (Commission on the Future of Health and Social Care in England) has recommended the move to a single, ring-fenced budget for health and social care with a single local commissioner. This goes beyond the integration seen thus far, which involved moving Public Health into local authorities (Health and Social Care Act 2012), followed by the implementation of the £3.8 billion Better Care Fund (2013 Spending Round) to support transformation and integration of health and social care services to ensure local people receive better care. Importantly this was not new money, but money shifted from Clinical Commissioning Groups into social care and community services for all-round benefit.

The Barker Report suggests that a strengthened Health and Well Being Board could take on the role of the 'single local commissioner'. The gap between this scenario and the current situation is significant. Local authorities are only just beginning to co-commission across health and social care in any meaningful way. Commissioners are currently the key link to the local marketplace and to on-the-ground knowledge about the needs of the local community. For a number of years to come, it will be the local authority commissioner who will need to be thinking about what kind of funding and organisational arrangements could be devised to ensure cost-effective services.

- In this context, social investment mechanisms could be one way of supporting integration.

⁴¹ [Kings Fund blogpost](#), September 2014.

Fee-for-service co-commissioning typically requires extensive interaction between the commissioning bodies, and can fail because of this complexity. Payment-by-results commissioning on the other hand should, in principle, lessen the need for interaction between the co-commissioners. For example, if you hope to achieve better education outcomes for children in Breaking the Cycle families, which in time will lead to higher employment rates among these children and therefore reduced burden on the state, then you might approach the Department for Work and Pensions; for changes to their care status, you would be interacting with the children's services team in the relevant local authority. In neither case would there be a necessity for these co-commissioners to negotiate with the primary commissioner. On the other hand, an organisation should always consider what can be gained from communication between commissioning bodies, given that the policy agenda is moving towards integration, not away. Short term alleviation of complexity may negate the opportunity to derive other benefits from co-commissioning such as forward planning.

To further alleviate the burden of discussion with numerous parties, there is a Cabinet Office fund specifically to pay for additional outcomes in co-commissioning PbR models.

7.3 Commissioner readiness for social investment

We undertook interviews with a small sample of local authority commissioners interested in the area of social investment and in social impact bonds. They ranged from those who were aware of the terms but were open about knowing very little about what these meant to a minority who were or recently had been involved in developing a SIB. Their views cannot be generalised as being representative of the 'the views of local commissioners'; rather they are illustrative of the range of knowledge and views 'out there'. We present what we learned from them to illustrate some of the conceptual contexts in which discussions about using social investment to fund scale-up of your service may take place.

Our interviews took place in 2013-14. At that time, overall, most of our sample demonstrated a very basic level of knowledge about social investment. There was little understanding about its potential in their own locality. Despite the existence of Payment-by-Results contracts and related forms for many years, the way in which PbR relates to social investment was not understood⁴². The way outcomes achieved would be used as the basis for paying outside investors was not very well understood either, particularly in relation to social impact bonds. Indeed there were significant misgivings about this form of funding. From a commissioner perspective, social impact bonds should not be conflated with other forms of social investment, such as loans and quasi-equity mechanisms. Loans and quasi-equity would involve social investors and the service provider but would be 'invisible' to the service commissioner/s.

There are three main reasons why some public sector commissioners may not be very knowledgeable about social investment and sometimes not very receptive to it:

⁴² We describe how this works in Chapter 1, section 1.2.

- Many organisations are focussed on business-as-usual and have either not felt the pressure to, or have managed to avoid having to, look at significantly different ways of working and funding services, including services for families with complex needs.
- They are wary of payment-by-results contracts largely because they are not comfortable with the metrification of social issues and have not seen the evidence that it works.
- It is still unclear how local authorities and the NHS are going to work in a more integrated way and organisations are overwhelmed with institutional change, leaving little capacity to focus on re-designing services and funding them in new ways.

Despite these factors, most commissioners are ambitious and keen to learn about and implement new ways of working. With more evidence about social impact bonds, there will inevitably be greater understanding and appetite from public sector commissioners for these and other forms of social investment.

Advice for local commissioners considering social investment

- There is support available to commissioners interested in finding out more about the potential of social investment in general and social impact bonds in particular:
- Since mid-2013, the Big Lottery Fund has financed support through the Commissioning Better Outcomes Fund. Practical information and support [for commissioners](#) is provided by Social Finance and the LGA (Local Government Association).
- The Cabinet Office's Centre for Social Impact Bonds also includes information about and [for commissioners](#) in its Knowledge Box.
- As noted in Chapter 1, a useful resource (written primarily for public sector

Our sample also included a minority of commissioners who had each been directly involved in work to develop a SIB. To an extent, their experiences reflected ours: that the process takes time; that the intervention to be delivered has to be carefully chosen with strong evidence of effectiveness; that the payable outcomes have to be carefully defined; that there needs to be a strong business case. In one case, the interviewee's experience had gone beyond ours as that person had been involved in the technical aspects of creating a SIB that was to become operational. Additional learning points based on this were that: relationships among the team developing the bond have to be nurtured; that a senior champion within the commissioning body helps to keep momentum; that the local authority financial and legal teams had to be involved and also needed external advice.

Further information

- Learning from public sector SIBs in development or operational is being shared through evaluation reports, such as:
 - [An evaluation of Social Impact Bonds in Health and Social Care](#) (2015).
- The Essex SIB focused on Multi-systemic Family Therapy is being evaluated by the Office for Public Management. Presentations and discussions about that and other UK SIBs can be found [here](#).

7.4 An environmental analysis of social investment from a local authority commissioning perspective.

Figure 21 is an adapted strategic management tool - with roots in the 'strengths, weaknesses, opportunities, threats' (SWOT) or 'political, economic, social, technological, legal, environmental' (PESTLE) business analysis models - which is designed to show all the different issues that public sector commissioners are dealing with, given that they operate in a political environment. This analysis has been developed from our interview evidence and team members' expertise.

The analysis separates the key elements of **risk** that a commissioner might be facing as they **consider social investment for funding their services**. Risk can be explored from the (S) Sociological, (T) Technological, (E) Economic, (E) Environmental (Ecological), (P) Political, (L) Legal, (E) Ethical, and (D) Demographic perspectives. This chart lays out the possible repercussions of these risks and poses potential opportunities and/or actions that may need to be taken to cope with the risk, or indeed benefit, from it.

The following paragraphs provide an **explanation** of the analysis in the chart.

Sociological perspective:

A commissioner is at the nexus of a host of relationships and must manage the power differentials between other local authority workers in the hierarchy as well as through numerous relationships with providers and other partners. Interviewees told us of their worries associated with the difficulty of their relationships both within and outside the authority. The development of social impact bonds thus far in England has demonstrated the importance of effective partnerships and just how much effort it requires to bring together the players and stay on track. The objectives of the partners must be aligned; having a leader who can manage the different agenda is critical.

Technological perspective:

The project demonstrated the importance of good data and interviewees spoke of the problem of a lack of good processes to gather and interpret data; generally the resources to do so were lacking. A social investment proposal depends on evidence and authorities do not seem to be immediately ready to design a business case. Information and data protocols will be critical in any social investment plan; the issue requires early and intense attention.

Economic perspective:

The sheer magnitude of data gathering, evidence preparation and relationship building is a cost for the commissioner, which could be seen as an opportunity cost – time spent better elsewhere. Payment-by-results contracts are seen as risky by commissioners because of the volatile and changing nature of the service and policy environment; the outcome desired today may not be in line with, for example, what a new government decides it wants in that policy area. Evidence to date seems to indicate that very narrow, carefully crafted social investment vehicles may hold some promise.

Environmental/ecological perspective:

Commissioners are required to think of services holistically, meaning they must think through whether their actions and plans have any environmental or ecological repercussions. The main issue in this case is taking steps to reduce the environmental footprint of what may be a long and resource intensive (such as paper) relationship. The Public Services (Social Value) Act 2012 requires commissioners to consider the economic, environmental and social benefits of their approaches to procurement before any process begins.

Political perspective:

Many commissioners are in local authorities whose preference is to outsource to the private sector what were once public sector activities. This is a very strong political agenda in some locales. There is a strong belief by many commissioners that this is not the right approach and they are wary of too much private sector involvement, especially in social services. Commissioners are generally highly experienced professionals who see that partnerships are important, but some believe that service delivery by the private sector leads to loss of jobs and even loss of quality. When outsourced service delivery goes wrong, it is still the local authority or government organisation that is ultimately responsible, and clients may suffer. This tends to engender a feeling of fear of private sector involvement and it is an important cultural element when considering social investment approaches. This is partly why growing in-house expertise in order to work with the private sector on a level playing field is so important, as well as why the development of good relationships through effective leadership is critical.

Legal perspective:

Interviewees who had experience with social investment spoke about the necessity of understanding the procurement rules for setting up social investment and PbR packages and how long this took, as they required legal and procurement advice. Early attention to the capacity of the local authority in these areas is critical and this must all be budgeted for, potentially skewing the business case if not organised in good time.

Ethical perspective:

Social investment is currently aimed at helping to fund very complex social services and generally the service recipients have multi-faceted problems that cross numerous areas such as housing, health, education and crime. Gathering useful data across these service areas requires ethical processes and these may be different depending on the organisation. There is a risk of not handling these issues well due to the complications of the issues and the capacities of the partners. Thus the development and extension of ethical data gathering and data use protocols is critical not only because it is the right thing to do but there are reputational and legal repercussions for handling vulnerable people's information incorrectly.

Demographic perspective:

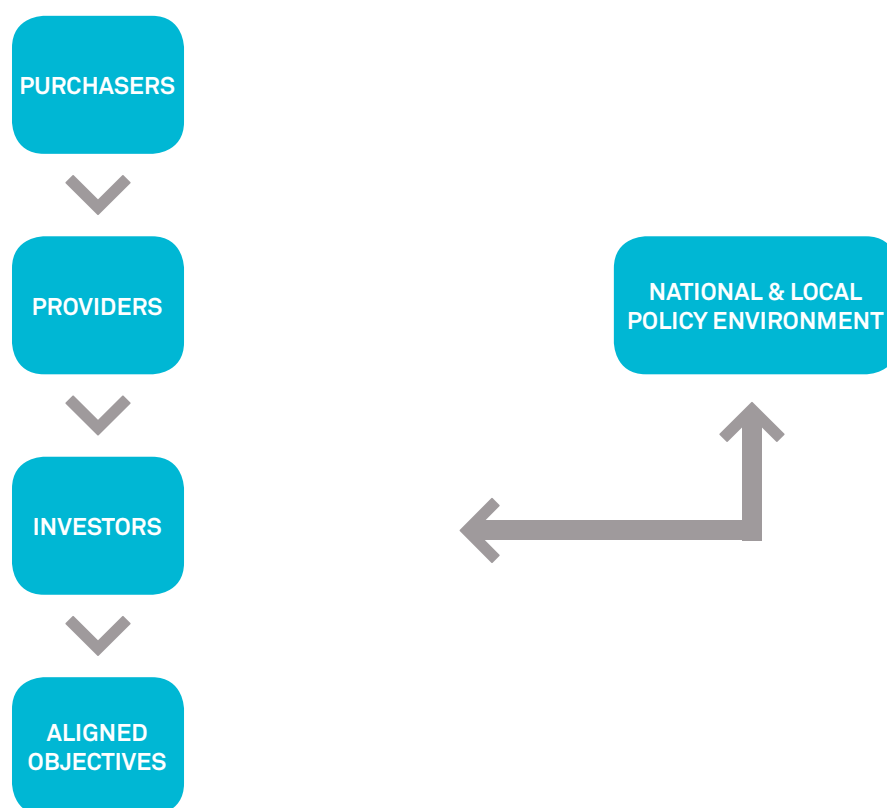
The demographic target for social investment is vulnerable clients because the nature of the social problems has generated interest in new kinds of solutions – vulnerable clients matter, and they cost a lot to the public purse. Interestingly the data demands of designing a social investment business case has contributed to our understanding of social services and moved forward the potential for new ways of funding and delivering services.

Figure 21 (S.T.E.E.P.L.E.D.) Environmental analysis of social investment from local authority commissioning point of view

Analytical Category	Risks	Possible Repercussions	Opportunities/Actions
Sociological	Necessary to enter relationships with new and different funders, providers, and partners – may consume enormous time to manage; conflicts likely	Time spent developing relationships may not convert into effective partnership; power imbalances may be difficult to resolve	Partnership development may benefit organisation regardless of social investment strategy; find partners with same vision and objectives, or objectives that can be aligned; having effective leaders is critical
Technological	Lack of data protocols and processes where business case dependent on good data; many organisations in the public sphere with poor data and weak processes	Commissioning across organisations requires data protocols and processes to secure and share information where needed; setting up effective data protocols may take up to a year	Early attention to information and data protocols in any developing relationship may improve potential success of the investment and service delivery
Economic	Cost of development of SI business case and time in partnership development; PbR style contracts hold risks for all parties with issues such as poor definition of desired results/outcomes	Time in development is an opportunity cost for local authority; ill-defined outcomes may result in the financial loss of the investment	SI successes to date indicate potential returns and partial solutions to long-standing social problems; directed strategy at narrow interventions hold promise for economic and social returns
Environmental/ Ecological	Sustainability side-lined or ignored	Risk of missing simple opportunities such as paper-less linked up meetings	All commissioning must consider envi/eco impact in widest sense; commissioners must embed Social Value Act 2012 in service design and delivery

Analytical Category	Risks	Possible Repercussions	Opportunities/Actions
Political	Social investment equated with outsourcing agenda; loss of in-house knowledge and increased reliance on external organisations; LAs contract arrangements difficult to shift quickly	Political agenda such as outsourcing makes some commissioners reluctant to consider SI; reliance on partnerships and external organisations may result in an inability to monitor and evaluate provider behaviour due to lack of knowledge and organisational learning in LA; accountability becomes terrain for blame-game	Grow 'in-house' expertise on social investment; work with partners to share learning; focus on organisational learning mechanisms to gather knowledge from external providers
Legal	Underestimation of complexity of procurement rules and processes; lack of knowledge and expertise leads to cost	Loss of time, money; SI requires experts in procurement and contract law extending time frame for developing the service and contract	Ensure procurement expertise in place at the very beginning of project; ensure realistic budget for bringing in experts; over time SI processes may become easier and more standardized and accessible
Ethical	Pressure on LAs to gather more data and link in new ways; evidence gathering may not take into account the ethics of dealing with vulnerable people	Inadequate ethical scrutiny and weak handling processes of the personal data of vulnerable people may lead to reputational and legal repercussions for commissioners	Appropriate protocols must be put in place when dealing with personal data and gathering information for business case; there may be opportunities for developing ethical data processes for supporting integrated commissioning as learning develops from past projects
Demographic	Demographic target for SI usually vulnerable clients which involves more issues than other services	Putting substantial resources in to development of SI may impact on other services and require intelligent decommissioning	SI is showing some excellent potential; through the data demands we are getting better at understanding need and necessarily better at making business cases based on evidence

Having done this analysis, it is clear that local authority commissioner (purchaser) capacity and understanding of social investment is key to making social investment work. However, it is no less important that providers and first-line investors⁴³ understand the local authority environment, which is slightly different in each area. The diagram demonstrates that in this kind of project, dealing with vulnerable clients, it has to be a joint effort that recognizes all the different pressures on each of the stakeholders, and that ultimately their objectives must be aligned in order to succeed.



⁴³ By first-line investors we mean the negotiating party – there may be one or more background investors who may not be directly party to the arrangement but keen on funding in some capacity.

7.5 Chapter summary

In this chapter, the focus has been on the commissioner perspective. The commissioner ('purchaser') role is fundamental: without prospective buyers for the service, there can be no social investment deal. We highlighted the effects of two key pressures on the commissioner landscape: austerity and integration. Regarding austerity, we noted that the associated pressures make finding new ways to finance services that can evidence social and economic outcomes for targeted clients very attractive to commissioners. The pressure to integrate the design and delivery of services across health and social care was also discussed; and the point made that social investment mechanisms could support such integration. We then reported on the main reasons why, at the time of our research in 2013-14, commissioners ranged from those who were neither particularly knowledgeable nor particularly receptive to the concept of social investment as a way of funding services for families with complex needs to those who were actively involved in developing a social impact bond. Finally, we presented an analysis of the key elements of risk that a commissioner might be facing as they consider social investment for funding their services, alongside opportunities and/or actions that may need to be taken to cope with the risk or, indeed, to benefit from it. Ultimately, providers, investors and commissioners (purchasers) have to understand the pressures faced by each, and need to work together towards aligned objectives.



8 CONCLUSIONS

The funding received from the Big Lottery Fund's 'Next Steps: Supporting social investment in England' programme was used successfully to establish how social investment could be used to expand delivery of Breaking the Cycle, and, by implication, other similar VCSE⁴⁴ services for families with complex needs. The economic cost-benefit of Breaking the Cycle was positive and sizable enough to support:

- Either – a payment-by results contract, supported by a social impact bond (SIB), to provide Breaking the Cycle to parents who would otherwise only receive adult treatment
- Or – a spot- or block-purchase contract, supported by social investment in the form of a loan or quasi-equity, to provide Breaking the Cycle nationally.

There was also sufficient evidence to suggest that, if continued data-analysis confirms, year on year, our findings of positive economic outcomes, and if longitudinal data were to be gathered that showed lasting impact, pursuing a social impact bond to achieve full scale-up as originally envisaged could become a viable option, particularly if the transaction costs of creating a SIB were also to reduce over time.

The project had ambitious and innovative aims – to develop a voluntary-sector provider-led social investment model; to operate on the basis that the pay-out to investors would be financed from economic savings to government; that the evidence for these savings would be based on data showing adult and child outcomes in client families. It generated a great deal of learning both for Addaction, as the provider making the changes and enhancements required to its systems and processes, and for the research team made up of evaluators and commissioner, investor and provider perspectives, who learned about what social investment requirements meant in day-to-day practice in a voluntary sector organisation. We believe much of this learning can benefit others too and it is in this spirit that the report has been written.

Although, at the time of publication, Addaction had not taken forward a social investment funding model for the expansion of Breaking the Cycle, we want to end by **re-iterating our positive overall messages:**

- The process of preparing for social investment is helpful and valuable because it results in you knowing more about what you do, why you do it, how well you do it, and how you can do it better;
- Seeking social investment to fund expansion of VCSE services for families with complex needs can be a realistic option.

⁴⁴ Voluntary, community or social enterprise (VCSE)

We end with a final word from Addaction on how the learning had been used internally:

‘The input from the research team, led by CEDAR at the University of Warwick, and the funding from the Big Lottery Fund and the University of Warwick, have given us an invaluable opportunity to:

- critically assess Breaking the Cycle, a decade on from its inception, and further develop the model and the evidence of outcomes
- gain insight and understanding of what needs to be considered when preparing for social investment.

Specifically, as a result of this research project we have:

- introduced and embedded an enhanced evaluation framework for Breaking the Cycle which is providing us with new data that informs our practice and strengthens our evidence of effectiveness (see Figure 22)
- improved systems and processes around data collection and analysis and database configuration
- refined the Breaking the Cycle business case to improve our opportunities to secure contracts through current funding arrangements.’

(Addaction spokesperson)

Figure 22 Increase in engagement of people referred to Breaking the Cycle

During 2014-15, the number of families referred to Breaking the Cycle who did not engage, or did not engage long enough to be assessed fell to 15% (from 33% in 2013-14). This was attributed to action taken by Addaction's Breaking the Cycle leadership:

Internal actions

- appointment of a National Operations manager to support and develop services
- introduction of a clear engagement and discharge policy that includes setting out expected processes on receipt of a referral
- practitioner training on putting the above policy into practice
- introduction of an internal process to identify and address incomplete data records (e.g. missing assessment data)

External actions

- External stakeholders have been provided with a clear remit for Breaking the Cycle which has reduced inappropriate referrals.

Source: Internal Addaction data shared with the researchers, August 2015

Going forward, Addaction continues to develop its understanding of the risks and opportunities that social investment brings and explore new funding options both for Breaking the Cycle and its other service provision and social enterprise activities. The organisation independently evaluates Breaking the Cycle on an annual basis, with outcomes data demonstrating that good outcomes continue to be achieved across all aspects of families lives⁴⁵.

⁴⁵

Annual BtC evaluation reports can be requested from info@addaction.org.uk

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